



PROVINCIAL AUDITOR  
*of Saskatchewan*

Dec  
**2014**

**2014 Report - Volume 2**

To the Legislative Assembly of Saskatchewan

Report  
of the  
Provincial  
Auditor



PROVINCIAL AUDITOR  
of Saskatchewan

November 18, 2014

The Honourable Dan D'Autremont  
Speaker of the Legislative Assembly  
Room 129, Legislative Building  
REGINA, Saskatchewan  
S4S 0B3

Dear Sir:

I have the honour of submitting my *2014 Report – Volume 2*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

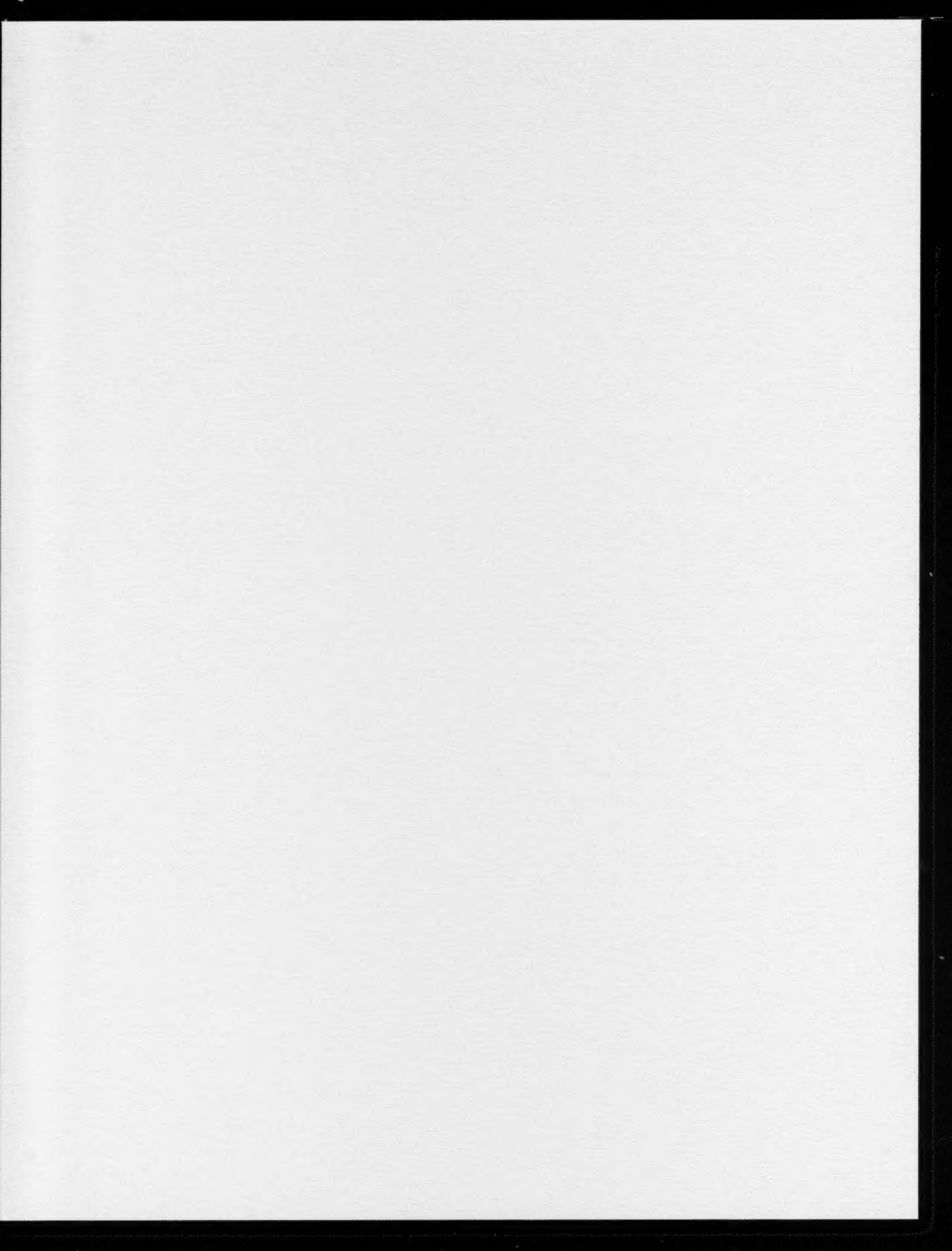
Respectfully yours,

A handwritten signature in cursive script that reads "Judy Ferguson".

Judy Ferguson, FCPA, FCA  
Acting Provincial Auditor

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**2014 Report - Volume 2**





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## Overview by the Acting Provincial Auditor

### 1.0 REPORT OVERVIEW

Through *The Provincial Auditor Act* (Act), the Legislative Assembly has made the Provincial Auditor its independent auditor. It has given the Provincial Auditor responsibility for auditing the Government of Saskatchewan, including all of its agencies. These agencies include ministries, Crown corporations, boards, commissions, and funds. Under the Act, the Provincial Auditor is required to report to the Legislative Assembly on the results of all examinations, and highlight matters that require the attention of legislators.

Our Office typically reports the results of its examinations in two volumes. We aim to release Volume 1 in June and Volume 2 in December each year.

This Report (Volume 2) includes the results of our examinations completed by October 31, 2014. We have organized the results of our examinations into four sections. The following provides a brief overview of each section of the Report, with exception of the section on the Standing Committee on Public Accounts.

#### Annual Integrated Audits—Overview

We use the term “integrated audits” to describe our annual audits of agencies that examine:

- 1 The effectiveness of their financial-related rules and procedures to safeguard public resources with which they are entrusted
- 2 Their compliance with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- 3 For those agencies that prepare financial statements, the reliability of those statements

In this Report, we include the results of annual integrated audits for agencies with July 31, 2014 or earlier fiscal year-ends. For the most part, these agencies had effective financial-related processes, complied with related authorities, and had reliable financial statements (see **Appendix 1**).

The 29 annual integrated audit chapters in this Report show that most agencies are making progress in implementing our past recommendations. These chapters also contain 18 new recommendations, of which nine pertain to ministries and nine to various Crown agencies. Six of the new recommendations relate to the need to promptly remove unneeded

user access to computer systems and data. Our Office has highlighted this as an area of concern for many years. While we note improvement at many ministries and agencies, many others continue to not remove unneeded user access in a timely manner. Not doing so increases the risk of inappropriate access to the Government’s computer systems and data.

Four of the new recommendations relate to areas where the Ministry of Agriculture, Creative Saskatchewan, and the Saskatchewan Research Council did not comply with laws that require them to obtain approvals through an Order in Council and to make information public (either through an Order in Council and/or by tabling agreements in



the Legislative Assembly). Compliance with laws that require public disclosure of information helps keep legislators and the public informed of key government decisions.

The remaining new recommendations relate to several different areas of concern.

## Performance Audits—Overview

We use the term “performance audits” to describe audits that take a more in-depth look at management issues related to management of public resources or compliance with legislative authorities.

In this Report, we include the results of 11 performance audits.

In 2013-14, the Government spent over \$8.7 billion on health and education (\$5.1 billion and \$3.6 billion respectively). Because

government spending in these sectors makes up almost two-thirds of its total spending, we continue to focus our audit efforts in these areas. This Report includes the results of three audits within the health sector and four audits within the education sector. While each of these chapters focuses on a single agency (e.g., a specific regional health authority or school division), we encourage other agencies to use the information to assess their own processes.

Health Sector audits in this Report include:

### 1 Health Quality Council – Coordinating the Use of Lean Across the Health Sector:

Since 2009, the health sector has been using Lean as a common methodology for continuous improvement to improve health care. We did not assess the effectiveness of the Lean program, nor outcomes achieved in comparison to money spent. Rather, we examined the processes the Health Quality Council (HQC) used to coordinate the use of Lean.

Since 2013, HQC has been charged with coordinating Lean across the health sector, but its ability to carry out its responsibilities has been hindered because it shares some of its responsibilities with the Ministry of Health and the consultant hired to implement the Lean program. As a result, HQC did not have effective processes to coordinate the use of Lean as a continuous improvement methodology across the health sector. Lack of effective processes to coordinate Lean across the health sector could result in health agencies not achieving the intended results of the Lean program, health care not improving, and inefficient use of resources. The Ministry decided, in August 2014, not to renew its contract with its Lean consultant. This decision will help align the authority of HQC with its responsibility for the Provincial Lean Office.

### 2 Heartland Regional Health Authority – Medication Management in Long-Term

**Care Facilities:** Medication use amongst seniors, particularly those living in long-term care facilities, has been increasing. Medications play a vital role in the ongoing health and quality of life of residents of long-term care facilities. The right medication can improve residents' quality of life and health, while inappropriate medication can have a negative impact. All regional health authorities in Saskatchewan operate long-term care facilities; we selected one of them – Heartland Regional Health Authority (Heartland) – as the focus of our audit of the processes used to manage medication plans for residents in long-term care facilities.



We found that Heartland did not have effective processes. Our key findings include the need for comprehensive policies for medication plans; the need to have and communicate a regional approach for identifying medication-use trends; the need to better document medication plans; and the need to better track and analyze medication errors, the use of medication, and complaints.

- 1 **Prince Albert Parkland Regional Health Authority – Providing Timely and Appropriate Home-Care Services:** Home-care services are an integral component of the healthcare system because the services enable individuals with health needs to live independently in their own homes. These services help relieve pressures placed on other parts of the healthcare system such as acute and long-term care. As with long-term care, all regional health authorities provide home-care services; we selected one of them – Prince Albert Parkland Regional Health Authority (PA Parkland) – as the focus of our audit.

We determined that PA Parkland had effective processes to provide timely and appropriate home-care services except for the following four areas. PA Parkland needs to provide more direction to better identify and monitor home-care service needs and trends; it needs to strengthen its processes to formally assess and plan individual home-care needs; it must ensure clients receive the needed services; and it must appropriately train, assign, and monitor its home-care staff.

Education Sector audits in this Report include:

- 1 **Conseil scolaire fransaskois – Financial Management and Governance Practices:** Effective financial management and governance can help agencies make sound decisions and deliver on their mandate effectively and efficiently. Boards are key to overseeing management and holding them accountable. In June 2014, Cabinet, through an Order in Council, asked our Office to examine the financial management and governance practices of Conseil scolaire fransaskois (CSF). CSF is Saskatchewan's first-language French school system.

We found that CSF did not have effective financial management and governance practices. It needs processes to develop required Board competencies, and needs to establish governance and financial policies and procedures necessary to manage its financial operations. Having effective practices will help CSF use resources effectively, and provide quality Francophone educational programming in Saskatchewan.

- 2 **Saskatchewan Rivers School Division No. 119 – Processes to Maintain Facilities:** Saskatchewan school divisions are responsible for providing and maintaining school accommodation and facilities necessary for providing educational programs and instructional services. If maintenance is not carried out effectively, it could result in health and safety problems for those who use the facilities, reduced quality of space, loss of facility value, higher repair costs in the future, and replacing facilities earlier than intended. We looked at the processes to maintain facilities at one school division – Saskatchewan Rivers School Division (Saskatchewan Rivers).

Saskatchewan Rivers had, other than in the following areas, effective processes to maintain its 31 schools and four other facilities. Saskatchewan Rivers needs written processes for the following matters: recording reliable information about the condition of, and maintenance on its facilities and components; determining its





maintenance priorities and plan; and monitoring timely completion of maintenance. Also, it needs to use performance measures and targets to regularly measure, monitor, and report on the effectiveness of its maintenance processes.

- **Saskatoon School Division No. 13 – Goods and Services Procurement Processes:** Saskatchewan school divisions use public resources to buy goods and services necessary to support the education of students. Use of effective processes to buy (procure) goods and services helps ensure public sector agencies make purchase decisions in an open and transparent manner, treat suppliers fairly, and use public resources wisely. We focused our audit on one of the larger school divisions – Saskatoon School Division (Saskatoon Public).

We found that Saskatoon Public had, other than in the following areas, effective processes for the procurement of goods and services. Saskatoon Public needs to maintain current procurement policies and enforce them, require sufficient reporting about procurement activities to its Board, keep documentation of its analysis and decisions for awarding tenders, establish minimum contract documentation requirements, and restrict user access over the ability to change supplier information within its financial system.

- **South East Cornerstone School Division No. 209 – Processes to Promote Positive Student Behaviour:** Student behaviour affects student success at school. Promoting positive and addressing problem behaviour facilitates student success, provides a safe learning environment, and relates to goals of the education sector. All school divisions have a responsibility for promoting positive student behaviour at school. We focused our audit on one geographically large rural-urban school division – South East Cornerstone School Division (South East Cornerstone). We are pleased to report that our Office and South East Cornerstone resolved the access to information concern that we reported in our *2014 Report – Volume 1*. We received full cooperation from South East Cornerstone in the completion of our audit.

We determined that South East Cornerstone had effective processes for promoting positive student behaviour at school except for the following. While its Board had set policies related to promoting and supporting positive student behaviour, staff did not always follow them. We also found incomplete documentation in student files of decisions and steps taken to support positive student behaviour, and an absence of an implemented escalation process to guide those decisions and steps. We further found that South East Cornerstone needed to set expectations for training staff on student behaviour initiatives, and keep, for ready access at schools, records of who received such training.

**Other performance audits included:**

Because flooding is one of the most common causes of disasters in Saskatchewan, we looked at the processes that Saskatchewan Water Security Agency uses to coordinate flood mitigation. Reducing or preventing flood damage can reduce impacts on the health and safety of residents, and reduce the cost to government for disaster assistance. Flood mitigation involves the coordination and cooperation of numerous supporting provincial ministries and agencies in addition to landowners and municipalities.

We found that the Agency had effective processes to coordinate flood mitigation except for the following areas. The Agency needs to work with others to determine and document municipalities with ongoing flood risks, and evaluate gaps in flood mitigation initiatives in municipalities with ongoing flood risks.

We also examined the effectiveness of the processes:

- ▮ The Ministry of Central Services used to the use of specialized, technical, management, and system consultants. We found they were not effective.
- ▮ The Ministry of the Economy used to monitor whether its information technology (IT) service providers appropriately managed and secured its IT systems and related data. We determined that improvements are needed over maintaining current agreements, including appropriate security requirements and security reporting in agreements, and establishing written policies and procedures for taking corrective actions on and reporting problems with its IT service providers.
- ▮ The Ministry of Government Relations used to assess concerns raised by the public for implications on the effectiveness of the system of municipal government in Saskatchewan. The Ministry needs to improve its guidance for assessing public concerns and track key information about those concerns in its electronic system.

## Audit Follow Ups—Overview

We use the term "audit follow-ups" to describe our assessments of whether government agencies have taken actions to address recommendations that we made in our past performance audits. We carry out an initial follow-up either two or three years after our original audit, and subsequent follow-ups every two or three years thereafter until the recommendations are implemented.

As shown in **Section 3.0 – Summary of Results of Audit Follow-Ups**, for this Report, we followed up 100 recommendations made in 16 previous audits.

On an overall basis, we are pleased with the progress of most agencies in implementing our recommendations. Agencies implemented about 36% of the recommendations and implemented about two-thirds of those within either two or three years (i.e., when we did our first follow up

25 of the 36 recommendations were implemented). Also, they partially implemented over 42% of the recommendations.

Two agencies – the Ministry of Environment and Cypress Regional Health Authority – had not fully implemented recommendations that we initially made six years ago.

Environment, as a regulator of contaminated sites, did not have a complete database that tracks key information for contaminated sites and had not made sure that all site owners complete risk assessments on contaminated or potentially-contaminated sites. This increases the risk that high-risk contaminated sites will not receive sufficient attention and will not be cleaned up within an appropriate timeframe.

Cypress Regional Health Authority uses its computer systems and data to track various information including patient and facility resident information. While it is making progress in strengthening security over its systems and data, the progress is slow. We found



Cypress needs to properly configure its computers to improve security and better monitor access to its computer systems. By not doing so, Cypress increases its vulnerability to security incidents.

We encourage these agencies to make implementation of these outstanding recommendations a priority.

## 2.0 ACKNOWLEDGMENTS

We appreciate and thank the staff and management of all government agencies along with their appointed auditors (if any) for the cooperation we received in the completion of the work included in this Report.

As Acting Provincial Auditor, I thank the dedicated professionals in the Office (see below) for their diligence and commitment. Only through their hard work can we fulfill our mission—to serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources.

Provincial Auditor Team		
Ahmad, Mobashar	Anderson, Mark	Bachelu, Gaylene
Borys, Angèle	Clemett, Tara	Deis, Kelly
Dickin, Deann	Dressler, Nicole	Drotar, Charlene
Fink, Diana	Halladeen, Aaron	Harasymchuk, Bill
Heebner, Melanie	Iles, Amanda	King, Mark
Kirton, Maygen	Klassen, Linda	Lam, Betty
Lefebvre, Jennifer	Lindenbach, Michelle	Longstaff, Lindsay
Lowe, Kim	Ludwig, Carly	McIntyre, Mitchell
McKillop, Steven	Mosley, Whitney	Novakovski, Jade
Ochieng, Jennifer	O'Quinn, Carolyn	Ortman, Matt
Pattullo, Candice	Pituley, Jonathan	Rau, Brent
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Shaw, Jason	Sommerfeld, Regan	St. John, Trevor
Stroh, Evan	Sych, Larissa	Taylor, Linda
Tomlin, Heather	Toukhi, Shokoufa	Trivedi, Devanshi
Volk, Rosemarie	Wandy, Jason	Warkentin, Megan
Watkins, Dawn	Wolfond, Josh	Yanyu, Melissa
Yee, Ken	Zerr, Jennifer	

### 3.0 SUMMARY OF RESULTS OF AUDIT FOLLOW UPS

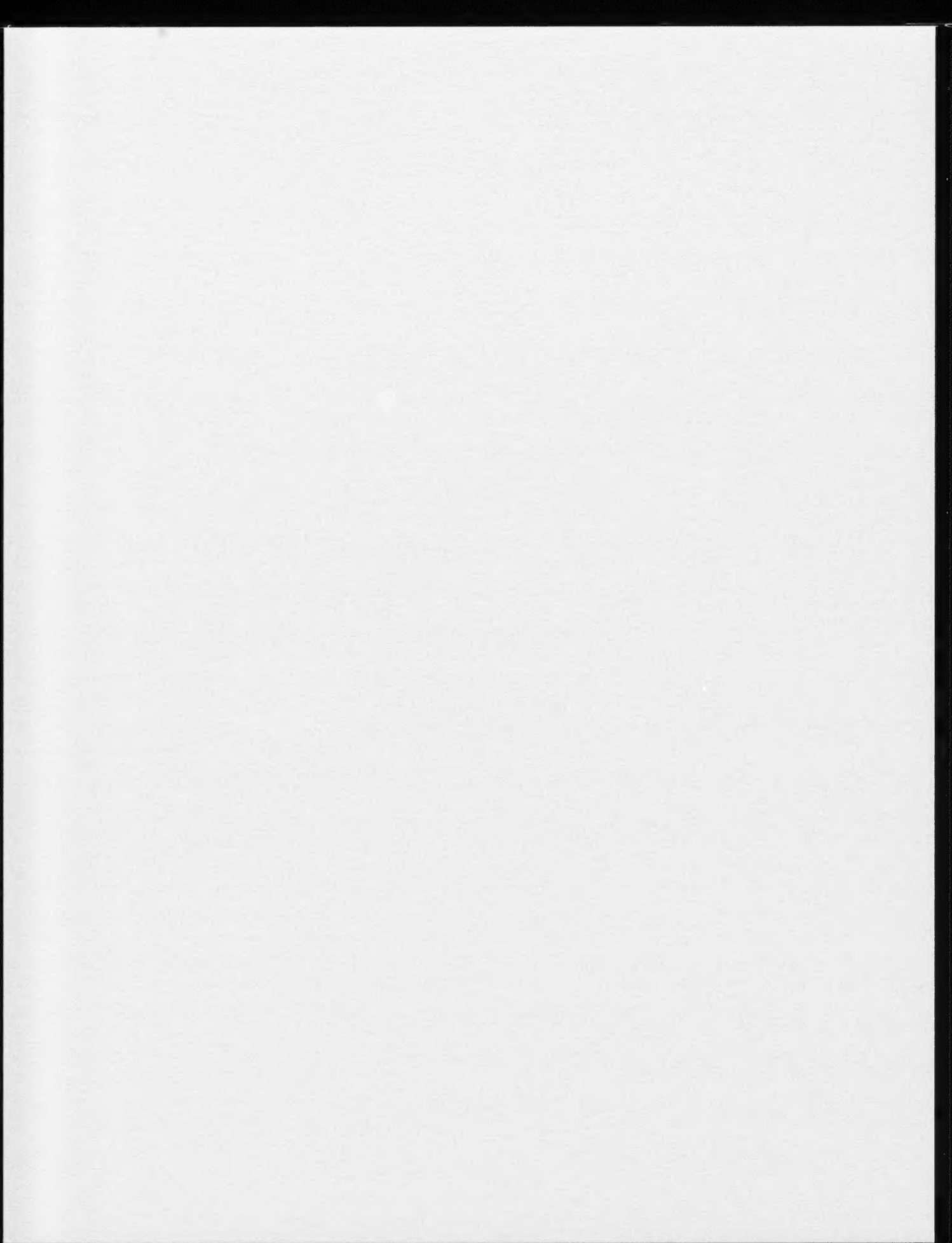
Chapter Name	Related Initial Report <sup>a</sup>	Number of Recommendations	Status of Recommendations			
			Implemented	Partially Implemented	Not Implemented	No Longer Relevant
Initial Follow-Ups						
Agriculture and Health—Regulating Meat Safety	2012 Report – V2	10	3	7	-	-
Economy—Regulating Pipelines	2012 Report – V1	7	2	2	3	-
Education—Transporting Students Safely	2012 Report – V2	33	11	9	13	-
Finance—Internal Audit in Ministries	2012 Report – V2	7	1	5	1	-
Finance—Quality of Annual Reports	2011 Report – V2	1	1	-	-	-
Health—Regulating Personal Care Homes	2012 Report – V2	5	4	1	-	-
Saskatchewan Indian Gaming Authority—Information Technology Threat and Risk Assessment	2012 Report – V2	4	0	2	2	-
Social Services—Supervision of Community-based Organizations	2012 Report – V1	8	3	4	1	-
Initial Follow-Ups Subtotal		75	25	30	20	-
Subsequent Follow-Ups						
Cypress Regional Health Authority—IT Security	2008 Report – V3	3	0	2	-	1
Finance and Environment—Contaminated Sites <sup>c</sup>	2008 Report – V1 & 2012 Report – V1	8	3	4	1	-
Highways and Infrastructure—Highway Maintenance	2010 Report – V1	3	2	1	-	-
Justice—Monitoring Provincial Policing Services Delivered by the RCMP	2009 Report – V1	1	-	1	-	-
Justice—Security Awareness Processes	2010 Report – V1	3	3	-	-	-
Prince Albert Parkland Regional Health Authority—IT Security	2011 Report – V1	2	1	1	-	-
Saskatoon Regional Health Authority—Protecting IT Infrastructure	2010 Report – V2	5	2	3	-	-
Subsequent Follow-Ups Subtotal		25	11	12	1	1
Overall Total		100	36	42	21	1

<sup>a</sup> V – means Volume

<sup>b</sup> For “Subsequent Follow-Ups”, the “Number of Recommendations” is the number of recommendations that remained not implemented after the previous follow-up.

<sup>c</sup> In this follow-up, we assessed the status of recommendations made in two different but related audits.





## **Annual Integrated Audits**

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## Chapter 1 Advanced Education

### 1.0 MAIN POINTS

This chapter reports the results of the annual audits of the Ministry of Advanced Education (Advanced Education) and its agencies.

Advanced Education and its agencies complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The 2014 financial statements of each of Advanced Education's agencies are reliable. Advanced Education and its agencies had effective rules and procedures to safeguard public resources except for the following. Advanced Education needs to:

- 1 Sign a complete memorandum of understanding with the Ministry of the Economy to avoid misunderstandings pertaining to shared services with respect to the One Client Service Module, labour market-related statistical data and research, and client and administrative services for the Provincial Training Allowance
- 2 Sign an adequate agreement with the Information Technology Division of the Ministry of Central Services (ITD) on disaster recovery of computer systems and data, and monitor the effectiveness of ITD's security controls to protect Advanced Education's computer systems and data

Also, North West Regional College and Northlands Regional College need to do more to protect their information technology systems and data.

### 2.0 INTRODUCTION

Advanced Education is responsible for the post-secondary education system that supports a growing Saskatchewan and leads to a higher quality of life. Saskatchewan's post-secondary system provides support to the province's labour force development. For the year ended March 31, 2014, Advanced Education utilized 132.5 full-time equivalent positions.<sup>1</sup>

### 2.1 Financial Overview

For the year ended March 31, 2014, Advanced Education spent \$785 million on its programs. Information about Advanced Education's expenditures appears in its *2013-14 Annual Report*.<sup>2</sup>

<sup>1</sup> Ministry of Advanced Education, *2013-14 Annual Report*, p. 17.

<sup>2</sup> See [www.ae.gov.sk.ca/ministry-plans-annual-reports](http://www.ae.gov.sk.ca/ministry-plans-annual-reports) (17 October 2014).



Figure 1—Major Programs and Spending

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Central Management and Services	\$ 13.8	\$ 12.4
Student Supports	77.5	81.2
Post-Secondary Education	695.6	691.0
<b>Total Appropriation</b>	<b>786.9</b>	<b>784.6</b>
Capital Asset Acquisitions	-	-
Capital Asset Amortization	0.8	0.7
<b>Total Expense</b>	<b>\$ 787.7</b>	<b>\$ 785.3</b>

Source: Ministry of Advanced Education, 2013-14 Annual Report, p. 19.

## 2.2 Special Purpose Funds and Agencies

At March 31, 2014, Advanced Education was responsible for the following special purpose funds and agencies (agencies) covered by our audits this year:

Year-End	Agency	Appointed Auditor*
March 31	Saskatchewan Student Aid Fund	N/A
March 31	Training Completions Fund	N/A
June 30	Cumberland Regional College	NeuPath Group, PC Inc.
June 30	Great Plains Regional College	Stark & Marsh LLP
June 30	Parkland Regional College	Miller Moar Grodecki Krelewich & Chorney
June 30	Saskatchewan Institute of Applied Science and Technology**	We audit jointly with Deloitte LLP

\* N/A means not applicable because we do the audit directly.

\*\* Effective September 24, 2014, the agency is now known as Saskatchewan Polytechnic.

Our Office worked with the appointed auditors to carry out our audit work. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>3</sup>

Advanced Education is also responsible for four other colleges (Carlton Trail, North West, Northlands, Southeast). We audit colleges on a cyclical basis. We require the appointed auditors of the colleges that are not in the current cycle to provide us with reports that set out the results of their audits. We review these reports to identify if significant matters exist for these colleges. If so, we work with the appointed auditors on these matters.

<sup>3</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).



### 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the years ending on or before June 30, 2014:

- Advanced Education and its agencies had effective rules and procedures to safeguard public resources except for the matters described in this chapter
- Advanced Education and its agencies complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

*The Government Organization Act*  
*The Ministry of Advanced Education Regulations*  
*The Post-Secondary Education and Skills Training Act*  
*The Education Act, 1995 (section 3(1))*  
*The Graduate Retention Program Act*  
*The Graduation Retention Program Regulations*  
*The Private Vocational Schools Regulation Act, 1995*  
*The Private Vocational Schools Regulation, 1995*  
*The Public Service Act, 1998*  
*The Regional Colleges Act*  
*The Regional Colleges Regulations*  
*The Regional Colleges Program Designation Regulations*

*The Regional Colleges Programs and Services Regulations, 1997*  
*The Financial Administration Act, 1993*  
*The Saskatchewan Institute of Applied Science and Technology Act*  
*The Student Assistance and Student Aid Fund Act, 1985*  
*The Lender-financed Saskatchewan Student Loan Regulations*  
*The Student Assistance and Student Aid Fund Regulations, 2001*  
*The Saskatchewan Student Direct Loans Regulations*  
*The Tabling of Documents Act, 1991*  
 Orders in Council issued pursuant to the above legislation

- The agencies had reliable financial statements

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of Advanced Education's and its agencies' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Assessing Advanced Education's and its agencies' rules and procedures to safeguard public resources included assessing the design and effectiveness of its controls related to administering grants to post-secondary educational institutions, which are approximately 88% of total expenditures. We also examined Advanced Education's processes for estimating amounts payable related to the Graduate Retention Program and the Saskatchewan Advantage Grant for Education Savings Program.

### 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.



## 4.1 Accounting for Funding to Post-Secondary Educational Institutions for Debt Repayment Under Review

We recommended that the Ministry of Advanced Education follow Canadian generally accepted accounting principles for the public sector to record, in its financial records, funding provided to post-secondary educational institutions for the repayment of principal and interest due on loans and related liabilities. (2013 Report – Volume 2; Public Accounts Committee agreement May 14, 2014)

### Status – Under Review

Since our Office made this recommendation, in March of 2014 the Government, appropriately, decided to change its financial reporting focus to the Summary Financial Statements. How Advanced Education accounts for the funding provided to post-secondary institutions for repayment of principal and interest does not affect the accuracy of the Government's Summary Financial Statements for those institutions that are part of the Government. That is, financial activities between government entities are eliminated in preparation of the Summary Financial Statements. Such funding provided to the universities, who are not part of the Government, does not result in a material error to the Summary Financial Statements.

As described in our *2013 Report – Volume 2*, Chapter 2, in our view, Advanced Education has not been following Canadian generally accepted accounting principles for the public sector (GAAP) when accounting for funding provided to certain post-secondary educational institutions to enable them to repay the principal and interest due on certain loans for capital projects. Our Office refers to these as “constructive obligations.” We have raised similar concerns for the Ministry of Health and for the Ministry of Education.

The Standing Committee on Public Accounts (PAC) has discussed the accounting for this matter at various hearings.<sup>4</sup> At its January 13, 2014 meeting, in its discussion, it made the following motion: “Recognizing the difference of professional interpretations the Standing Committee on Public Accounts recommends that the Minister of Finance have his officials continue to examine this issue and discuss it further with the Provincial Auditor.” At September 30, 2014, the Ministry of Finance was continuing to evaluate the accounting for these matters and plans to meet with our Office.

<sup>4</sup> January 13, 2014 hearing on Ministry of Finance, March 26, 2014 hearing on Regional Health Authorities, May 14, 2014 hearing on Ministry of Advanced Education, June 17, 2014 hearing on the Ministry of Education, September 9, 2014 hearing on Ministry of Health.

## 4.2 Shared Service Agreement Needed

We recommended that the Ministry of Advanced Education sign a complete memorandum of understanding with the Ministry of the Economy that defines all key roles and responsibilities for shared services. (2013 Report – Volume 2; Public Accounts Committee agreement May 14, 2014)

**Status – Not Implemented**

Advanced Education does not have an adequate shared service agreement with the Ministry of the Economy pertaining to shared services with respect to the One Client Service Module, labour market-related statistical data and research, and client and administrative services for the Provincial Training Allowance.

The *Financial Administration Manual*, section 3007.08, requires that shared service arrangements between ministries be supported by a memorandum of understanding (MOU). The appendices of the MOU, signed between the ministries in June 2013, require the ministries to define the operations of each of the shared services. Advanced Education had not completed this additional step by September 2014. Without completing this step, it does not have an adequate shared service agreement.

Not having an adequate MOU increases the risk that each ministry may not clearly understand their respective roles and responsibilities and Advanced Education may not be able to hold the Ministry of the Economy accountable for the shared services.

## 4.3 Information Technology Controls Need Improvement

### 4.3.1 Key Findings for Advanced Education

We recommended that the Ministry of Advanced Education (formerly the Ministry of Advanced Education and Immigration) follow its established procedures for removing user access to its computer systems and data. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status – Implemented**

Advanced Education followed its processes for promptly removing user access to its computer systems from individuals who no longer work for Advanced Education.

Advanced Education has removed additional enhanced user access it had previously granted to certain individuals that is not required to perform their daily duties. Advanced Education has established a process to justify and record any decisions to grant additional enhanced user access.

We recommended that the Ministry of Advanced Education (formerly the Ministry of Advanced Education, Employment and Labour) monitor the effectiveness of the Information Technology Division of the Ministry of Central Services' security controls to protect the Ministry's computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status – Partially Implemented**

Advanced Education uses the Information Technology Division of the Ministry of Central Services (ITD) to host its information systems and data. For example, ITD hosts key applications used by Advanced Education such as the One Client Service Model (OCSM). Advanced Education uses OCSM to deliver training and financial assistance services to its clients. OCSM includes sensitive financial information about post-secondary students and their relatives (e.g., banking information, tax and other income information, social insurance numbers, birth dates). Also, ITD provides Advanced Education with computers and network access.

We expected Advanced Education to monitor whether the security provided by ITD is adequate. We expected Advanced Education to use information such as documentation of critical systems and data, their key risks, and existing or required controls (including any information technology (IT) and non-IT controls at Advanced Education) to determine what information it requires from ITD to monitor the security of its systems and data. This information may include assurance from ITD that current security updates (i.e., patches) are applied in a timely manner to key servers and operating systems and access is properly restricted to key servers. It may also include timely notifications of breaches affecting Advanced Education's systems and data, if any. We expected Advanced Education to use this information about its computer systems and data to identify and take prompt action to address any significant deficiencies identified.

In 2013-14, Advanced Education started to draft IT security procedures with ITD that will set out security principles, roles, responsibilities, risk areas, mitigation procedures, and reporting requirements. Also in 2013-14, Advanced Education requested from ITD information in addition to the standard reports<sup>5</sup> previously received. It is starting to use this additional information to help it assess risks to its systems and data and to assist with completion of its IT security procedures document.

Advanced Education did not have sufficient information to know if ITD was addressing its security needs. Completion of its IT security procedures should help Advanced Education obtain sufficient information to assess the adequacy of security controls to protect its computer systems and data, and to take action if deficiencies are identified. If its systems and data are not adequately secured, Advanced Education risks unauthorized access to the system. For example, unauthorized access to OCSM could result in making inappropriate student loan payments (e.g., fraud) or disclosing confidential financial information.

<sup>5</sup> The standard reports from ITD are not adequate for Advanced Education to monitor the effectiveness of ITD's security controls. For example, they did not include information about how security weaknesses at ITD impact Advanced Education's IT systems and data (e.g., patch management).



We recommended that the Ministry of Advanced Education (formerly the Ministry of Advanced Education, Employment and Labour) sign an adequate agreement on disaster recovery of computer systems and data with the Information Technology Division of the Ministry of Central Services. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status – Not Implemented**

By September 2014, Advanced Education had not completed the additional steps to outline its disaster recovery needs as required under the schedules to the MOU it signed in 2011-12 with ITD. As a result, neither Advanced Education nor ITD knows whether systems and data can be restored when needed by Advanced Education in the event of a disaster. This could result in Advanced Education not being able to provide timely services to the public.

### 4.3.2 Key Findings for Regional Colleges

We recommended that North West Regional College prepare an information technology strategic plan. (2013 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Not Implemented**

North West Regional College has not prepared an IT strategic plan.

North West Regional College needs to prepare an IT strategic plan to help management document and align IT initiatives with the College's direction. An IT strategic plan would also help management determine if the College has addressed all the threats and risks to its IT security. Also, an IT strategic plan helps ensure the use of resources supports strategic objectives.

We recommended that North West Regional College develop written policies and procedures for its information technology systems and data. (2013 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

In 2013-14, North West Regional College developed written policies and procedures for IT. However, the policies and procedures need to be approved and communicated to staff. Documented, up-to-date IT policies and procedures will help ensure the confidentiality and integrity of information systems and data.



We recommended that North West Regional College prepare and test a disaster recovery plan for its computer systems and data. (2013 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

We recommended that Northlands College prepare and test a disaster recovery plan for its computer systems and data. (2013 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

In 2013-14, North West Regional College developed a disaster recovery plan for its computer systems and data; however, management had not approved or tested the plan. In 2013-14, Northlands College started to develop a disaster recovery plan for its computer systems and data.

A disaster recovery plan establishes procedures to restore vital and/or critical technology systems and data in the event of a human, technical, or natural disaster. A disaster recovery plan can help IT personnel know and understand their responsibilities and tasks that should be performed in an emergency situation. For example, North West Regional College uses Microsoft Dynamics Navision for all financial aspects. If this information is not available, payroll or other expenses may not be paid in a timely manner.

## Chapter 2 Agriculture

### 1.0 MAIN POINTS

This chapter reports the results of our annual audit of the Ministry of Agriculture (Agriculture), its agencies, and funds for the year ended on or before July 31, 2014.

Agriculture, its four agencies, and five funds complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2014 financial statements of Agriculture's agencies and funds are reliable.

Agriculture, its agencies, and the Saskatchewan Agricultural Stabilization Fund had effective rules and procedures to safeguard public resources except Agriculture needs to:

- 1 Follow procedures for timely user access removal to computer systems
- 2 Obtain proper approval for and table in the Legislative Assembly its animal products inspection agreements and animal identification inspection agreements
- 3 Obtain adequate assurance from the Information Technology Division of the Ministry of Central Services over the security of Agriculture's computer systems and data
- 4 Improve its process for determining the possible extent to which its AgriStability estimates may vary from actual results

### 2.0 INTRODUCTION

The authority for Agriculture was contained in *The Department of Agriculture, Food and Rural Revitalization Act*.<sup>1</sup> During the year, Agriculture had 423.5 full-time equivalent employees.<sup>2</sup>

The purpose of the Agriculture is to enable a prosperous market-driven agricultural industry through a supporting legislative framework, policies, and programs and services.<sup>3</sup> Also, Agriculture regulates certain industry practices, such as branding, and various producer-elected commodity boards through the Agri-Food Council. During 2013-14, Agriculture administered the following key programs:

- 1 Agriculture Knowledge Centre (forage, farm business management, livestock, crops, irrigation)
- 2 Business risk management programs (e.g., Crop Insurance, AgriStability, AgrilInvest)

<sup>1</sup> Effective August 15, 2014, *The Department of Agriculture, Food and Rural Revitalization Act* was amended and renamed *The Agriculture Administration Act*.

<sup>2</sup> Ministry of Agriculture, *Ministry Plan for 2014-15*, p.3.

<sup>3</sup> Ibid.



Growing Forward 2 Programming (e.g., Farm Business Development Initiative, Farm & Ranch Water Infrastructure Program, Saskatchewan Agri-Value Initiative, Livestock Traceability Rebate, Market Development Program, Agriculture Awareness Initiative)

Research programs (e.g., Agriculture Development Fund, Agriculture Demonstration of Practices & Technologies, Research Management, Strategic Research Program at the University of Saskatchewan and the Western Beef Development Centre)<sup>4</sup>

## 2.1 Financial Overview

In 2013-14, Agriculture had revenues of \$137.9 million (2013 - \$165.1 million) comprised primarily of transfers from the federal government for agricultural programs, as well as lease revenue, and land sales. Also, at March 31, 2014, Agriculture held agricultural lands, buildings, and equipment with a net book value of \$65.6 million.

In 2013-14, Agriculture spent \$391.4 million, of which almost 90% was for grants (transfers). This included \$249.2 million to Saskatchewan Crop Insurance Corporation for the Crop Insurance and AgriStability programs.

Figure 1—Major Programs and Spending

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Central Management and Services	\$ 10.8	\$ 10.0
Policy and Planning	3.6	3.0
Research and Technology	27.7	28.6
Regional Services	40.1	29.4
Land Management	8.4	6.5
Industry Assistance	7.2	5.9
Financial Programs	26.5	19.5
Business Risk Management – Crop Insurance, AgriStability, and AgriInvest	<u>282.5</u>	<u>287.0</u>
<b>Total Appropriation</b>	<u>406.8</u>	<u>389.9</u>
Capital Asset Acquisitions	(2.0)	(0.8)
Capital Asset Amortization	<u>2.1</u>	<u>2.3</u>
<b>Total Expense</b>	<u>\$ 406.9</u>	<u>\$ 391.4</u>

Source: 2013-14 Ministry of Agriculture Annual Report.

Agriculture's annual report provides further detail on its revenues and expenses including reasons for differences from its approved budget.<sup>5</sup>

<sup>4</sup> Government of Saskatchewan, *Ministry of Agriculture 2013-14 Annual Report*, p.5.

<sup>5</sup> *Ibid.*, p. 17 - 20.



## 2.2 Background

Agriculture is responsible for many agencies that administer and support agricultural programs in Saskatchewan. Each of the following funds and agencies has a March 31 year-end, except for Saskatchewan Grain Car Corporation which has a July 31 year-end:

### Funds

Horned Cattle Fund

Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund<sup>6</sup>

Livestock Services Revolving Fund

Pastures Revolving Fund

Saskatchewan Agricultural Stabilization Fund

### Agencies

Agricultural Credit Corporation of Saskatchewan

Agricultural Implements Board

Prairie Agricultural Machinery Institute

Saskatchewan Grain Car Corporation

Also, Agriculture partnered with the University of Saskatchewan in Prairie Diagnostic Services Inc.<sup>7</sup>

The results of our annual audits of Saskatchewan Crop Insurance Corporation and the Crop Reinsurance Fund of Saskatchewan are reported in Chapter 21 – Saskatchewan Crop Insurance.

## 3.0 AUDIT CONCLUSIONS AND SCOPE

To complete our audits, we worked with the appointed auditor of a Fund and agencies noted in **Figure 2**, using the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>8</sup>

**Figure 2—Special Purpose Funds and Crown Agencies with an Appointed Auditor**

Year-End	Agency	Appointed Auditor
March 31	Saskatchewan Agricultural Stabilization Fund	KPMG LLP
March 31	Agricultural Credit Corporation of Saskatchewan	MNP LLP
July 31	Saskatchewan Grain Car Corporation	Miller Moar Grodecki Krelewich & Chorney

<sup>6</sup> Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund was wound up on March 27, 2014.

<sup>7</sup> Prairie Diagnostic Services Inc. provides veterinary diagnostic services to Saskatchewan veterinary and livestock industries.

<sup>8</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).



**In our opinion, for the year ended on or before July 31, 2014:**

- 1 **Agriculture, its four agencies, and the Saskatchewan Agricultural Stabilization Fund had effective rules and procedures to safeguard public resources except for the matters related to Agriculture reported in this chapter**
- 2 **Agriculture, its agencies, and its funds complied with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing, except for the matters noted in this chapter:**

<i>The Agri-Food Act, 2004</i>	<i>The Horned Cattle Purchases Act</i>
<i>The Agri-Food Regulations, 2004</i>	<i>The Horned Cattle Purchases Regulations, 1983</i>
<i>The Agricultural Credit Corporation of Saskatchewan Act</i>	<i>The Intensive Livestock Operations Environmental Rehabilitation Program Regulations</i>
<i>The Agricultural Credit Corporation of Saskatchewan Regulation, 1989</i>	<i>The Livestock Dealer Regulations, 1995</i>
<i>The Agriculture Implements Act</i>	<i>The Livestock Inspections and Transportation Regulations, 1978</i>
<i>The Agriculture Implements Regulations, 1982</i>	<i>The 2011 Saskatchewan Feed and Forage Program Regulations</i>
<i>The Animal Identification Act</i>	<i>The Short-term Hog Loan Regulations, 2008</i>
<i>The Animal Products Act</i>	<i>The Short-term Cattle Loan Program Regulations</i>
<i>The Irrigation Act, 1996</i>	<i>The Wildlife Damage and Livestock Predation Regulations</i>
<i>The Saskatchewan Crop Insurance Corporation Act</i>	<i>The Financial Administration Act, 1993</i>
<i>The Department of Agriculture, Food and Rural Revitalization Act</i>	<i>The Government Organization Act</i>
<i>The Ministry of Agriculture Regulations, 2007</i>	<i>The Pastures Act</i>
<i>The Farm Financial Stability Act</i>	<i>The Pastures Regulations</i>
<i>The Cattle Breeder Associations Loan Guarantee Regulations, 1991</i>	<i>The Prairie Agricultural Machinery Institute Act, 1999</i>
<i>The Cattle Feeder Associations Loan Guarantee Regulations, 1989</i>	<i>The Prairie Agricultural Machinery Institute Regulations, 1999</i>
<i>The Excess Moisture Program Regulations, 2011</i>	<i>The Provincial Lands Act</i>
<i>The Farm and Ranch Water Infrastructure Program Regulations</i>	<i>The Provincial Lands Regulations</i>
<i>The Saskatchewan Farm Security Act – Part VI</i>	<i>The Public Service Act, 1998</i>
<i>The Saskatchewan Farm Security Regulations</i>	<i>The Purchasing Act, 2004</i>
	<i>Contracts and Orders in Council issued pursuant to the above legislation</i>

- 3 **The financial statements of the agencies and funds are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of Agriculture's, its agencies', and the Saskatchewan Agricultural Stabilization Fund's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Our audit included examining the effectiveness of Agriculture's and the agencies' and the Saskatchewan Agricultural Stabilization Fund's financial-related controls used to administer their spending, revenues and key assets. Also, we examined the effectiveness of the controls used to keep reliable financial records and prepare reliable financial reports. In our audit of Agriculture, we paid particular attention to the following three areas:

- 1 Processes Agriculture used to estimate its costs for key business management programs and related amounts it owed to and was owed by others. Information on the actual costs and recovery of those costs from the federal government is not available at year-end for some of these key programs.

- Controls over key computer systems (e.g., relating to agricultural land, land leases, and land sales) that Agriculture relies on to administer its programs.
- Controls over compliance with *The Saskatchewan Farm Security Act – Part VI* and *The Saskatchewan Farm Security Regulations* relating to farm land ownership.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Prompt Removal of User Access Needed

Although Agriculture has established procedures for removing user access to its computer systems and data, staff did not consistently follow them.

For example, in 2013-14, 6 out of 10 individuals that we tested did not have their computer network access removed promptly. For these six individuals, access was removed between 3-36 working days after their last day of employment.

Not promptly removing user access of former employees increases the risk of inappropriate access to Agriculture's systems and data.

1. We recommend that the Ministry of Agriculture follow its established procedures to promptly remove unneeded user access to its computer systems and data.

### 4.2 Livestock Administration Agreement Not Authorized or Made Public as Required By Law

Agriculture has not obtained proper approval for an agreement that transferred the Ministry's administration of the livestock (inspection branding) program to an organization administered by the livestock industry.

*The Animal Identification Act* and *The Animal Products Act* both require Agriculture to obtain an Order in Council when it enters into an animal products inspection administration agreement and an animal identification administration agreement with another agency. An Order in Council is a directive issued by the Lieutenant Governor on the advice of Cabinet that authorizes a payment and makes the decision public.

Also, *The Animal Identification Act* and *The Animal Products Act* both require Agriculture to table any animal products inspection administration agreements and animal identification inspection administration agreements in the Legislative Assembly within 90 days of entering into the agreement. By tabling an agreement in the Legislative Assembly, Agriculture makes the decision public.



In January 2014, Agriculture entered into a five-year renewable agreement with Livestock Services of Saskatchewan (LSS) covering both animal product inspection and animal identification inspection without obtaining an Order in Council. The agreement transferred Agriculture's administration of the livestock program to LSS.

Accordingly, this agreement was not properly authorized or made public as required by law.

2. We recommend that the Ministry of Agriculture obtain an Order in Council prior to entering into an animal products inspection administration agreement and an animal identification inspection administration agreement as required by law.

By September 30, 2014, Agriculture had not tabled its agreement with LSS in the Legislative Assembly as required by law. Accordingly, this agreement was not made public.

3. We recommend that the Ministry of Agriculture table all animal products inspection administration agreements and animal identification inspection administration agreements in the Legislative Assembly as required by law.

### 4.3 Information Needed on Security of Systems and Data Hosted by ITD

We recommended that the Ministry of Agriculture obtain assurance from the Information Technology Division of the Ministry of Central Services on the operating effectiveness of the Information Technology Division's controls over its client systems and data and assess the impact of deficient controls on the Ministry of Agriculture's operations. (2010 Report – Volume 2; Public Accounts Committee agreement June 7, 2011)

**Status – Partially Implemented**

The Information Technology Division (ITD) of the Ministry of Central Services hosts key computer systems that Agriculture uses to carry out its operations (e.g., Crown Land Management System [CLMS] hosts financial information about its leases [e.g., information on lease holders and rates]).

During 2013-14, Agriculture continued to work with ITD to obtain information about the effectiveness of ITD's controls to keep Agriculture's key computer systems and data secure. During 2013-14, Agriculture did not receive such information. As such, it does not know if ITD keeps its key computer systems and data secure.



To take steps to manage the risk of its key computer systems and data not being available when needed, Agriculture must obtain adequate and timely information from ITD. It needs information about the security of computer systems and data that ITD hosts to enable it to take prompt action to address any significant deficiencies identified. This information may include assurance that ITD applies current security updates (i.e., patches) to key servers and operating systems on a timely basis, that access to key servers is properly restricted, and that backups are regularly completed.

#### 4.4 Better Disclosure of Uncertainty in AgriStability Estimate Needed

We recommended that the Saskatchewan Crop Insurance Corporation work with the Ministry of Agriculture to develop processes to ensure that the annual fiscal year-end estimates for AgriStability program benefits are reasonable, consistent, and current. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

##### Status – Not Implemented

To estimate its program expenses, Saskatchewan Crop Insurance Corporation (SCIC), in conjunction with Agriculture, uses Agriculture and Agri-Food Canada's (AAFC) December estimate of Saskatchewan's program benefits as the basis for its March 31 estimate. As described in **Figure 3**, SCIC and Agriculture have input into this estimate process.

**Figure 3—Overview of Agriculture and Agri-Food Canada Process for Saskatchewan's Estimate of December 31 Program Expenses**

SCIC administers the AgriStability program for the Ministry of Agriculture (Agriculture) and AAFC. Agriculture pays 40% of the costs of the AgriStability program and AAFC pays the remaining 60%. The program operates on a calendar year (program year).

The deadline for producers to submit program forms for the previous program year is September 30, which is after SCIC's March 31 year-end. Also, the program allows producers to amend their submissions for up to 18 months after the date of their original calculation of Benefits Statement. Given the program deadline and ability for producer amendments, at March 31, SCIC has complete information for only a few producers when making its estimate of the amount it owed for benefit payments at year-end.

Benefit payments to producers under the AgriStability program are complex and are based on specific calculations for a program year. The change in a producer's current year's income<sup>9</sup> is compared to the average of the producer's previous five years' income.<sup>10</sup> The process involves receiving income tax return information from the Canada Revenue Agency and certain other information directly from the producer, and performing a number of verification steps. SCIC calculates the benefit payment due to the producer. If information used in the calculation is not correct or is later amended, it not only affects the current year calculation but it could also affect the calculation for several years into the future. This is because benefits are calculated based on current and past years' income.

<sup>9</sup> The program year is defined as the taxation year for which program forms are being submitted. The producer's current year income is adjusted for items such as changes in inventory valuation, receivables, payables, and purchased inputs. See pages 10 and 14 of the *AgriStability Program Handbook*.

<sup>10</sup> The previous years' income amount is calculated by taking the average income of the previous five years with the highest and lowest years dropped.



Agriculture does not use its own model to estimate the amount of AgriStability benefit payments likely to be paid out for a given program year. Rather, Agriculture and SCIC rely on AAFC for this estimate. Each year, AAFC provides SCIC and Agriculture with its initial income forecast and estimate of program benefits specific to Saskatchewan as of December 31. AAFC bases its December estimate on its economic forecast of the overall condition of the farming industry in Canada and in Saskatchewan, and its assumptions for items such as grain and farming inputs prices and quantities as well as the anticipated producer participation level in the program.

AAFC's process to determine the AgriStability estimate is complex as many factors affect farm incomes and subsequently, the estimated amount of AgriStability benefits. The factors include the overall strength of the farm economy, commodity prices, inflation related to the price of farm inputs, moisture levels and weather patterns. It is difficult for the federal model to capture all of the unique circumstances for Saskatchewan. For example, management of SCIC indicated that in a year with excess moisture in Saskatchewan, AAFC's estimate would include an overall effect of flooding for the province as a whole, but not for a particular part of the province.

SCIC and Agriculture review the assumptions AAFC uses in its initial income forecast and estimate. They provide AAFC with their input based on their assessment of its reasonableness. AAFC makes adjustments based on discussions with SCIC and Agriculture. Once the assumptions are finalized, then AAFC provides SCIC and Agriculture with its December 31 estimate of program benefits specific to Saskatchewan.

These estimates are necessary because neither Agriculture nor SCIC have final AgriStability information from producers until after their March 31 fiscal year-end. It is important that these estimates be as accurate as possible so that Agriculture records, to the greatest extent possible, the costs of this program in the correct fiscal year. It is also important that Agriculture and SCIC know the possible extent to which the estimates may vary from actual results.

Agriculture and SCIC must be diligent in their efforts to assess the reasonability of assumptions AAFC uses in the initial income forecast and estimate. Agriculture and SCIC must continue to actively monitor the industry, both locally and abroad, and use this knowledge to assess possible impacts on inputs into AAFC's model.

SCIC and Agriculture are aware that AAFC's estimate has not provided reasonably accurate results in the past. The estimates that Agriculture has recorded each fiscal year have fluctuated significantly from actual results since the inception of the AgriStability program in 2007. This fluctuation is shown in **Figures 4 and 5**. **Figure 4** compares Agriculture's original estimate of AgriStability benefits to actual benefits paid by program year. **Figure 5** highlights, by fiscal year, adjustments Agriculture makes to its AgriStability expense as a result of changes to its prior year estimated AgriStability expense.

**Figure 4—Five-Year History of Ministry of Agriculture AgriStability Expenses by Program Year**

Program Year *	Original Estimate of AgriStability Benefits	AgriStability Benefits to March 31, 2014 <sup>c</sup>	Difference Between Estimated and Actual
(in millions)			
2009	\$ 81.9	\$ 48.3	\$ 33.6
2010	99.3	101.0	(1.7)
2011	40.6	83.6	(43.0)
2012	79.0	80.0	(1.0)
2013	17.9	17.9 <sup>c</sup>	0.0

Source: Ministry of Agriculture accounting records.

\* Program year for AgriStability is from January 1 to December 31.

<sup>b</sup> This is the actual amount of benefits paid and an estimate of benefits not yet paid by program year up to March 31, 2014.

<sup>c</sup> For 2013 program year, the original estimate of AgriStability Benefits is as at March 31, 2014. Therefore, at March 31, 2014, there is no difference between actual and estimated expenses.

**Figure 5—Five-Year History of Ministry of Agriculture AgriStability Program Expense by Fiscal Year**

Fiscal Year <sup>a</sup>	AgriStability Expense <sup>b</sup>	Decrease in Estimated Prior Program Year AgriStability Benefits Recorded as Revenue <sup>c</sup>	Net AgriStability Expense <sup>d</sup>	Original Estimate of Current Program Year AgriStability Benefits – Figure 4	Increase in Estimated Prior Program Years <sup>e</sup> AgriStability Benefits Recorded as Expense <sup>d</sup>
(in millions)					
2009-10	\$ 96.9	\$ (37.7)	\$ 59.2	\$ 81.9	\$ (22.7)
2010-11	109.3	(57.3)	52.0	99.3	(47.3)
2011-12	40.6	(3.5)	37.1	40.6	(3.5)
2012-13	114.1	-	114.1	79.0	35.1
2013-14	22.1	-	22.1	17.9	4.2

<sup>a</sup> Agriculture's fiscal year is from April 1 to March 31.

<sup>b</sup> Actual estimated expenses recorded in Agriculture's accounting records for that fiscal year other than 2012-13. 2012-13 amount is reduced by \$30.9 million for a reclassification of accounts payable.

<sup>c</sup> Agriculture records a reversal of prior year expense as revenue (refund to prior year expense revenue) in the current year when its prior year expense was too high.

<sup>d</sup> Agriculture records an additional expense when its prior year expense was too low.

Agriculture indicated that it has been unable to find alternate methods of determining other reasonably possible amounts or validating AAFC's estimate. However, neither SCIC nor Agriculture have determined the extent of uncertainty in the federal estimate for Saskatchewan. Unlike Alberta, neither SCIC nor Agriculture have asked AAFC to provide them with this information.<sup>11</sup>

Agriculture recognizes that the expense it records in its financial records for AgriStability is an estimate and may materially change causing a material change to the amounts due to/from SCIC as the assumptions used may change. Agriculture provides information on the extent of uncertainty in AgriStability program costs to the Ministry of Finance; however, Agriculture does not disclose this publicly (e.g., in its annual report).

Not making this information public increases the risk that legislators and the public may not understand the extent of uncertainty of the amounts Agriculture has recorded related to AgriStability, and may make incorrect decisions about the program.

<sup>11</sup> The Government of Alberta obtains information from the federal government on the extent on uncertainty of its federal estimate.





## Chapter 3 Central Services

### 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Ministry of Central Services (Central Services) for the year ended March 31, 2014.

Central Services complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Central Services had effective rules and procedures to safeguard public resources except that it needs to follow its established procedures to promptly remove user access to information technology (IT) systems and data. If former employees do not have access removed promptly, it increases the risk of inappropriate access to Central Services' systems and data.

Also, each year our Office audits the effectiveness of Central Service's processes to secure the data centre. Our *2014 Report – Volume 1*, Chapter 7 contains the results of our last audit.

### 2.0 INTRODUCTION

The mandate of Central Services is to provide “central coordination and delivery of property management, information technology, project management, group purchasing, transportation, and other support services [such as email and mail services] to government ministries and agencies.”<sup>1,2</sup>

As of March 31, 2014, Central Services employed 968 full-time equivalent employees. It owned 4,477 vehicles and six aircraft, and leased or owned 704 buildings in 153 communities for use across the Government. Its owned buildings had a replacement value of \$3.7 billion.<sup>3</sup>

During 2013-14, Central Services tendered \$191 million in goods and services on behalf of government ministries and agencies.<sup>4</sup>

### 2.1 Financial Overview

In 2013-14, Central Services spent \$52.9 million, including \$22.5 million for capital asset acquisitions and net of costs recovered from government ministries and agencies.<sup>5</sup> Central Services bills, on a cost-recovery basis, government ministries and agencies for

<sup>1</sup> Ministry of Central Services, *2013-14 Annual Report*, p. 5.

<sup>2</sup> In July 2013, the Government decided to move the functions of the Public Service Commission from the Ministry of Central Services into a separate agency.

<sup>3</sup> Ministry of Central Services, *2013-14 Annual Report*, p. 5.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid., p. 18.



the services it provides. In 2013-14, Central Services recovered \$371.8 million of its costs from these billings.

Figure 1—Major Programs and Spending

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Central Management and Services	\$ 0.05	\$ 0.05
Property Management*	10.66	6.44
Project Management*	-	-
Transportation and Other Services*	12.35	15.65
Major Capital Asset Acquisitions	21.45	22.53
Information Technology Division*	14.98	8.23
<b>Total Appropriation</b>	<u>59.49</u>	<u>52.90</u>
Capital Asset Acquisition	(21.45)	(22.53)
Commercial Activity Deficit	-	(0.66)
Capital Asset Amortization	0.42	-
<b>Total Expense</b>	<u>\$ 38.46</u>	<u>\$ 29.71</u>

Source: Ministry of Central Services, 2013-14 Annual Report, pp. 18-21.

\* Estimates are presented net of recovery of costs. In the 2013-14 Estimates, Central Services expected to recover \$322.2 million.

### 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2014:

- Central Services had effective rules and procedures to safeguard public resources except for the matters described in this chapter
- Central Services complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

*The Economic and Co-operative Development Act (section 8(c), 9(1)(h), and 9(3))*  
*The Information Technology Office Service Regulations*  
*The Public Works and Services Act*  
*The Purchasing Act, 2004*  
*The Purchasing Regulations*  
*The Crown Employments Contracts Act*  
*The Revenue and Financial Services Act*  
*The Government Organization Act*  
*The Financial Administration Act, 1993*  
Orders in Council issued pursuant to the above legislation

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of Central Services' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Our audit included examining the effectiveness of Central Services' financial-related controls used to administer its spending, revenues, and key assets consistent with its related authorities. In addition, we examined Central Services' controls over determining service potential of its tangible capital assets. This included review of the asset confirmations received from each branch, testing asset disposals, and having discussions with management. We also examined Central Services' processes for project management including its tendering process and payment of construction contracts for building maintenance or improvements. This included testing a sample of project payments for processes over tendering, making payments in accordance with the contract, approving project agreements and change orders, and tracking outstanding commitments.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Prompt Removal of User Access Needed

We recommended that the Ministry of Central Services (formerly the Ministry of Government Services) adequately monitor the security of its information technology systems and data. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Implemented – see concern below with respect to prompt removal of user access

We recommended that the Ministry of Central Services follow its established procedures for removing user access to its computer systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement June 25, 2012)

**Status** – Partially Implemented

While Central Services has processes for promptly removing user access from individuals who are no longer employed by the Ministry, staff do not always follow them.

Central Services' procedures include sending reminders to managers about its processes, regularly reviewing user access, and using a checklist with its employees.

We found 5 out of 10 individuals tested did not have network access removed promptly. Instead, access was removed between 3 to 65 days after the individuals' last day of employment. With respect to access to MIDAS,<sup>6</sup> 3 out of 7 individuals tested did not have user access removed promptly. Central Services removed access from 19 to 60

<sup>6</sup> MIDAS (the Multi-Information Database Application System) is a ministry-wide central computer system used to record financial, payroll, and personnel activities of ministries.



days after their last day of employment. Central Services had identified the need to remove this access through its review process.

If former employees do not have access removed promptly, it increases the risk of inappropriate access to Central Services' systems and data.

## 4.2 IT Service Agreements with Clients

We recommended that the Ministry of Central Services sign agreements with its clients on security and disaster recovery processes, expectations, and reporting requirements. (2005 Report – Volume 3; Public Accounts Committee agreement May 16, 2006)

**Status** – This recommendation is replaced by the following two recommendations in our *2014 Report – Volume 1*, Chapter 7, where we recommended that the Information Technology Division of the Ministry of Central Services (ITD):

Have a disaster recovery plan for the data centre and client systems. (2006 Report – Volume 3; Public Accounts Committee agreement April 3, 2007)

Provide relevant and timely security reports to its clients. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

ITD has signed agreements with all clients to which it provides services; however, some agreements do not adequately address disaster recovery and reporting requirements.

Without specifying disaster recovery requirements, there is a risk that there may not be appropriate agreement on when and how to restore network operations in the event of a disaster and that client needs may not be met. Also, without timely and relevant security reports, ITD's clients may not be able to effectively monitor the services ITD provides.

## 4.3 Accurate and Complete Financial Reports Prepared

We recommended that the Ministry of Central Services prepare accurate and complete year-end financial reports as required by the *Financial Administration Manual*. (2010 Report – Volume 2; Public Accounts Committee agreement June 6, 2011)

**Status** – Implemented

During 2013-14, Central Services prepared accurate and complete year-end financial reports in accordance with the *Financial Administration Manual*.



## Chapter 4 Creative Saskatchewan

### 1.0 MAIN POINTS

Creative Saskatchewan's 2013-14 financial statements were reliable. It complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except that it did not obtain Cabinet's approval for a grant payment.

### 2.0 INTRODUCTION

On July 2, 2013, Creative Saskatchewan was established under *The Creative Saskatchewan Act* (Act). The mission of Creative Saskatchewan is to facilitate the commercial development of creative industry producers, entrepreneurs, businesses, and associations in realizing their economic potential within and outside the province through business product development and market access.<sup>1</sup> The Act allows Creative Saskatchewan to provide grants, loans, guarantees, equity investments, or other financial assistance to achieve its mission.

For the period July 2, 2013 to March 31, 2014, Creative Saskatchewan had revenues totalling \$7.4 million, and expenses totalling \$5.6 million including grants of \$4.9 million. Creative Saskatchewan held assets totalling \$4.4 million at March 31, 2014.

### 3.0 AUDIT CONCLUSIONS AND SCOPE

**In our opinion, for the period July 2, 2013 to March 31, 2014:**

- **Creative Saskatchewan had reliable financial statements**
- **Creative Saskatchewan complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter:**

*The Creative Saskatchewan Act*  
*The Creative Saskatchewan Regulations*  
 Orders in Council pursuant to the above legislation

Our audit included examining Creative Saskatchewan's processes to assess eligibility of applicants, and approve and make grants.

<sup>1</sup> *Creative Saskatchewan: 2013-14 Annual Report*, p. 2.



## 4.0 KEY FINDING AND RECOMMENDATION

In this section, we outline a key observation from our assessments and the resulting recommendation.

### 4.1 Payment Not Properly Authorized

Creative Saskatchewan did not obtain proper approval for a grant payment.

*The Creative Saskatchewan Act and The Creative Saskatchewan Regulations* require Creative Saskatchewan to obtain an Order in Council to give financial assistance (e.g., grant) to a single individual or corporation when the amount exceeds \$250,000 in a fiscal year. An Order in Council is a directive issued by the Lieutenant Governor on the advice of Cabinet that authorizes a payment and makes the decision public.

In 2014, Creative Saskatchewan approved and provided a grant of \$440,000 to a single corporation but it did not obtain an Order in Council (Cabinet). Accordingly, this payment was not properly authorized or made public.

1. We recommend that Creative Saskatchewan obtain an Order in Council, as required by law, prior to providing financial assistance where the amount exceeds \$250,000 in a fiscal year to a single individual or corporation.

## Chapter 5 Economy

### 1.0 MAIN POINTS

This chapter reports the results of our annual audit of the Ministry of the Economy (Economy), its three special purpose funds, and its agency – Enterprise Saskatchewan.

The 2013-14 financial statements of Enterprise Saskatchewan and each of the special purpose funds are reliable.

Economy, its agency, and three special purpose funds complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Economy and Enterprise Saskatchewan had effective rules and procedures to safeguard public resources except Economy needs to:

- Improve information technology processes to promptly remove unneeded user access
- Sign a complete memorandum of understanding with the Ministry of Advanced Education to avoid misunderstandings pertaining to shared services with respect to the One Client Service Module

### 2.0 INTRODUCTION

The mandate of Economy is to advance economic growth and generate wealth and opportunity in the province. Economy's responsibilities include labour market development and immigration, energy and resources, and economic development, including First Nations, Métis, and Northern economic development.<sup>1</sup>

Economy comprises three core lines of business: to enhance economic growth and competitiveness; to regulate responsible resource development; to attract, develop, and retain a skilled workforce.<sup>2</sup> Economy's 578.9 full-time equivalent employees<sup>3</sup> provide services and programs through its main offices in Regina and Saskatoon, regional offices across the province, and the Canada-Saskatchewan Business Service Centre located in Saskatoon.

### 2.1 Special Purpose Funds and Crown Agency

At March 31, 2014, Economy was responsible for the following special purpose funds and Crown agency. Each of the funds has a March 31 year-end. Enterprise Saskatchewan, a Crown agency, had a 13-month period-ended April 30, 2014 and was wound up on that date.

<sup>1</sup> Ministry of the Economy, *Annual Report for 2013-14*, p. 5.

<sup>2</sup> Ministry of the Economy, *Plan for 2013-14*, p. 3-6.

<sup>3</sup> Saskatchewan Finance, *Government of Saskatchewan - 2013-14 Estimates*, p. 155.

Special Purpose Funds

Oil and Gas Orphan Fund

Institutional Control Monitoring and Maintenance Fund

Institutional Control Unforeseen Events Fund

Crown Agency

Enterprise Saskatchewan

## 2.2 Financial Overview

In 2013-14, Economy had revenues of \$2.16 billion, including \$57.5 million of transfers from the federal government for its labour market and development programs (see **Figure 1**). Economy spent \$270.5 million to deliver its programs and services (see **Figure 2**). Information about Economy's revenues and expenses appear in its 2013-14 *Annual Report*.

**Figure 1 – Revenues**

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Oil	\$ 1,441.2	\$ 1,513.9
Crown Land Sales	111.4	106.7
Natural Gas	9.6	16.5
Potash	519.9	346.0
Other Minerals	99.7	101.1
Mineral Rights Tax	8.0	8.7
Sales, Services and Service Fees	35.2	4.9
Other Revenue	2.3	4.1
Transfers from the Federal Government	58.9	57.5
Enterprise Saskatchewan	-	1.3
Financial Programs	0.5	0.7
Miscellaneous Revenue	-	0.5
First Nations and Métis Relations	0.1	-
<b>Total Revenue</b>	<b>\$ 2,286.8</b>	<b>\$ 2,161.9</b>

Source: Ministry of the Economy, 2013-14 *Annual Report*, p.26.



Figure 2—Major Programs and Spending

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Central Management and Services	\$ 36.5	\$ 35.7
Revenue and Planning	24.0	22.3
Economic Development	13.8	11.8
Tourism Saskatchewan	15.2	15.2
Labour Market Development	168.5	163.8
Enterprise Saskatchewan	-	-
Petroleum and Natural Gas	10.3	12.0
Minerals, Lands and Policy	12.1	12.5
<b>Total Appropriation</b>	<u>280.4</u>	<u>273.3</u>
Capital Asset Acquisition	(7.9)	(5.8)
Capital Asset Amortization	3.0	3.0
<b>Total Expense</b>	<u>\$ 275.5</u>	<u>\$ 270.5</u>

Source: Ministry of the Economy, 2013-14 Annual Report, p.24 & 25.

### 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the years ended on or before April 30, 2014:

- 1 Economy and Enterprise Saskatchewan had effective rules and procedures to safeguard public resources except for matters related to Economy as reported in this chapter
- 2 Economy, its three funds, and Enterprise Saskatchewan complied with the authorities, listed in Exhibit 5.1, governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- 3 The financial statements of each of Economy's funds and Enterprise Saskatchewan are reliable

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of Economy's and its agency's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Assessing Economy's and its agency's rules and procedures to safeguard public resources includes evaluating financial controls for estimating and collecting its revenues and administering its spending. In addition, we evaluated Economy's controls around its significant information technology systems and processes for collecting its revenues and keeping reliable financial records.



## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Need Prompt Removal of User Access

We recommended that the Ministry of the Economy (formerly, Ministry of Energy and Resources) follow its established procedures for removing user access to its computer systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status – Not Implemented**

During the year, we noted six instances where Economy had not removed unneeded user access to systems data promptly. For example, Economy did not request prompt removal of access to the payroll system for one individual we tested. The user access was removed almost 30 working days after the person's last day of employment.

Also, for 2 out of 10 individuals that we tested, Economy did not request timely removal of their computer network access. For example, for one of those individuals, Economy requested the removal of the network access about 100 working days after the person's last day of employment.

Economy needs to consistently follow its procedures for ensuring only authorized staff have access to its computer systems and data.

### 4.2 Shared Service Agreement Needed

We recommended that the Ministry of the Economy sign a complete memorandum of understanding with the Ministry of Advanced Education that defines all key roles and responsibilities for shared services. (2013 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

**Status – Not Implemented**

During the year, Economy continued to work towards completing an effective shared service agreement with the Ministry of Advanced Education for shared services with respect to the One Client Service Module, labour market-related statistical data and research, and client and administrative services for the Provincial Training Allowance.

The *Financial Administration Manual*, section 3007.08, requires that shared service arrangements between ministries be supported by a memorandum of understanding (MOU). The appendices of the MOU, signed between the ministries in June 2013, require

the ministries to define the operations of each of the shared services. Economy had not completed this additional step by September 2014.

Without completing this step, it does not have an adequate shared service agreement. Not having an adequate MOU increases the risk that each ministry may not clearly understand their respective roles and responsibilities, and Economy may not be able to hold the Ministry of Advanced Education accountable for the shared services.

### 4.3 Liability for Cleanup of Gunnar Mine Disclosed

We recommended that the Ministry of the Economy disclose its liability for the cleanup of the Gunnar Uranium Mine and Mill Site in accordance with Public Sector Accounting Standards. (2013 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

**Status** – Implemented

Economy has accepted responsibility for the cleanup of the Gunnar Mine. The Gunnar Mine is located on Lake Athabasca near Uranium City. This mine closed many years ago but continues to pose significant concerns to the environment.

As of March 31, 2014, Economy could not make a reasonable estimate of the cleanup costs. At March 31, 2014, the Canadian Nuclear Safety Commission had not approved the Gunnar Mine Environmental Impact Statement and Economy noted that the cleanup options are complex. The Government disclosed its responsibility for the liability for cleanup costs in the Government of Saskatchewan's March 31, 2014 Summary Financial Statements.

### 4.4 Monitoring Orphaned Wells

We recommended that the Ministry of the Economy estimate and record its liability for cleaning up orphaned wells and facilities in its financial records for inclusion in the Government's financial statements. (2012 Report – Volume 2; Public Accounts Committee adjourned consideration on December 9, 2013)

**Status** – Not Relevant

Orphaned wells arise when well owners (licensees) go out of business and/or can not be located. Orphaned wells must be cleaned up to prevent future environmental damage (e.g., gas or fluids from migrating below ground or escaping above ground).

Economy established the Oil and Gas Orphan Fund (Fund) as a means to finance the cleanup of orphaned wells. The oil and gas industry contributes to the Fund and Economy uses the Fund's resources to clean up orphaned wells. If the industry continues to pay into the Fund and orphaned wells are cleaned up, Economy has no liability.



At March 31, 2014, based on the oil and gas industry's economic outlook, the industry continues to have the ability to pay for the cleanup of orphaned wells and Economy continues to clean up orphaned wells. Therefore, Economy does not have a liability.

Economy monitors the sustainability of the oil and gas industry and the number of orphaned wells, because in the event of economic downturn, Economy may be left covering the liability for cleaning up orphaned wells.

## 5.0 EXHIBIT

### 5.1 Legislation—Summary of Relevant Authorities

#### Economy:

*The Crown Minerals Act*  
*The Crown Oil and Gas Royalty Regulations*  
*The Coal Disposition Regulations, 1988*  
*The Petroleum and Natural Gas Regulations, 1969*  
*The Crown Mineral Royalty Regulations*  
*The Mineral Resources Act, 1985*  
*The Delayed Payment Charge Regulations, 1970*  
*The Subsurface Mineral Regulations, 1960*  
*The Energy and Mines Act*  
*The Mineral Exploration Incentive Regulations*  
*The Economic and Co-operative Development Act*  
(section 8(a) only)  
*The Small Business Loans Association Program Regulations*  
*The Freehold Oil and Gas Production Tax Act, 2010*  
*The Freehold Oil and Gas Production Tax Regulations, 2012*  
*The Recovered Crude Oil Tax Regulations, 2012*  
*The Ethanol Fuel Act*  
*The Ethanol Fuel (Grants) Regulations*  
*The Labour-Sponsored Venture Capital Corporations Act*  
*The Labour-Sponsored Venture Capital Corporations Regulations*  
*The Renewable Diesel Act*  
*The Mineral Taxation Act, 1983*  
*The Potash Production Tax Regulations*  
*The Freehold Coal Production Tax Regulations*  
*The Financial Administration Act, 1993*  
*The Petroleum Research Incentive Regulations*  
*The Government Organization Act*  
*The Ministry of the Economy Regulations*

#### *The Public Service Act, 1998*

*The Purchasing Act, 2004*  
*The Revenue and Financial Services Act*  
Orders in Council issued pursuant to the above Legislation

#### Oil and Gas Orphan Fund:

*The Oil and Gas Conservation Act*  
*The Oil and Gas Conservation Regulations, 1985*  
*The Financial Administration Act, 1993*  
Orders in Council issued pursuant to the above Legislation

#### Institutional Control Unforeseen Events Fund:

*The Reclaimed Industrial Sites Act*  
*The Reclaimed Industrial Sites Regulations*  
*The Financial Administration Act, 1993*  
Orders in Council issued pursuant to the above Legislation

#### Institutional Control Monitoring and Maintenance Fund:

*The Reclaimed Industrial Sites Act*  
*The Reclaimed Industrial Sites Regulations*  
*The Financial Administration Act, 1993*  
Orders in Council issued pursuant to the above Legislation

#### Enterprise Saskatchewan:

*The Enterprise Saskatchewan Act*  
*The Enterprise Saskatchewan Regulations*  
Orders in Council issued pursuant to the above Legislation



## Chapter 6 Education

### 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Ministry of Education (Education), School Division Tax Loss Compensation Fund, Prince of Wales Scholarship Fund, Teachers' Superannuation Plan, and Teachers' Disability Plan.

Education, its two funds, and its two plans complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The financial statements of the Teachers' Superannuation Plan and Education's two funds for the years ended on or before June 30, 2014 are reliable.

Education and its two plans had effective rules and procedures to safeguard public resources except Education needs to:

- 1 Enter into written agreements with school divisions for funding of school capital projects
- 2 Periodically verify the accuracy of its contributions to the Saskatchewan Teachers' Retirement Plan
- 3 Improve its information technology (IT) processes by preparing an IT strategic plan, monitoring the effectiveness of the Information Technology Division of the Ministry of Central Services' (ITD) security controls over Education's computer systems and data, and promptly removing unneeded user access to its computer systems and data

### 2.0 INTRODUCTION

Education's mandate is to provide leadership and direction to early learning and child care, Kindergarten through Grade 12 education, literacy, and library sectors. Education supports the sectors through funding, governance, and accountability, with a focus on improving student achievement.<sup>1</sup>

At March 31, 2014, about 289 full-time equivalent positions provided services.<sup>2</sup>

### 2.1 Financial Overview

For the year ended March 31, 2014, Education spent \$1.7 billion on its programs and had revenues of \$9.5 million. Information about Education's revenues and expenditures appear in its *2013-14 Annual Report*.<sup>3</sup>

<sup>1</sup> Ministry of Education, *2013-14 Annual Report*, p. 3.

<sup>2</sup> *Ibid.*, p.4.

<sup>3</sup> [www.education.gov.sk.ca/Annual-Report-2013-14](http://www.education.gov.sk.ca/Annual-Report-2013-14) (2 October 2014).



Figure 1—Major Programs and Spending

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Central Management Services	\$ 15.7	\$ 18.1
K-12 Education	1,324.1	1,300.8
Early Years	63.4	64.2
Literacy	2.8	2.8
Provincial Library	12.7	12.7
Teachers' Pension and Benefits*	321.9	306.6
<b>Total Appropriation</b>	<b>1,740.6</b>	<b>1,705.2</b>
Capital Asset Acquisitions	(38.4)	(35.3)
Capital Asset Amortization	1.3	1.1
<b>Total Expense</b>	<b>\$ 1,703.5</b>	<b>\$ 1,671.0</b>

Source: Ministry of Education.

\* The Ministry of Education determines the estimated and actual expenses for teachers' pension and benefits using the cash basis of accounting instead of the accrual basis. For 2013-14, the audited Summary Financial Statements include additional pension and benefits costs for the Teachers' Superannuation Plan sponsored by the Ministry of \$159.6 million.

## 2.2 Related Special Purpose Funds and Agencies

At March 31, 2014, Education was responsible for 28 school divisions and the Teachers' Group Life Insurance Plan each with year ends of August 31, the Teachers' Dental Plan with a year end of June 30, and the following funds and plans:

	Year-End
<b>Funds</b>	
School Division Tax Loss Compensation Fund	March 31
Prince of Wales Scholarship Fund	March 31
<b>Plans</b>	
Teachers' Superannuation Plan	June 30
Teachers' Disability Plan*	June 30

\* The Teachers' Disability Plan does not have separate financial statements.

Our *2014 Report – Volume 1* included the audit results of the school divisions and the Teachers' Group Life Insurance Plan for the year ended August 31, 2013. For our audit results of the Teachers' Dental Plan, see Chapter 27. This chapter includes the audit results for Education and the remaining listed funds and plans.

### 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the years ended on before June 30, 2014:

- 1 The financial statements for the School Division Tax Loss Compensation Fund, Prince of Wales Scholarship Fund, and Teachers' Superannuation Plan are reliable
- 1 Education and its plans had effective rules and procedures to safeguard public resources except as reported in this chapter
- 1 Education, its funds, and its plans complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

*The Government Organization Act*  
*The Education Act, 1995*  
*The Education Funding Regulations*  
*The Education Regulations, 1986 (sections 95.4 to 95.7)*  
*The School Division Tax Loss Compensation Fund Administration Regulations*  
*The Child Care Act*  
*The Child Care Regulations, 2001*  
*The Financial Administration Act, 1993*  
*The Public Libraries Act, 1996 (sections 64 and 65)*  
*The Public Libraries Regulations, 1996*  
*The Public Service Act*  
*The Public Works and Services Act (sections 4 and 8)*  
*The Department of Social Services Act (section 8)*  
*The Teachers' Life Insurance (Government Contributory) Act (section 6)*

*The Teachers' Superannuation and Disability Benefits Act*  
*The Teachers' Superannuation and Disability Benefits Regulations*  
*The Teachers' Dental Plan Act*  
*The Pension Benefits Act, 1992*  
*The Pension Benefits Regulations, 1993*  
*The Tabling of Documents Act, 1991*  
*The Crown Employment Contracts Act*  
*The Pension Benefits Standards Regulations, 1985 (Canada)*  
*Income Tax Act (Canada) (sections 147.1, 147.2, and 147.3)*  
*Income Tax Regulations (Canada) (sections 8501-8504, 8512, 8514, 8520)*  
 Orders in Council issued pursuant to the above legislation

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of Education's and the plans' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Our audit included assessing the design and effectiveness of Education's control activities related to grants, which comprise approximately 97% of total Ministry expenditures.

### 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.



## 4.1 Verification of Pension Contributions Needed

Education does not know whether it pays the correct amount of contributions to the Saskatchewan Teachers' Retirement Plan (STRP).<sup>4</sup>

Education pays the Government (employer) contributions to STRP as required by section 43 of *The Teachers Superannuation and Disability Benefits Act* (Act). Education paid STRP contributions totalling \$73.5 million for 2013-14 (\$58.0 million: 2012-13).

Each month, Education receives a bill from the Saskatchewan Teachers' Federation (STF) for STRP, as well as support for how STF calculates the amount billed.

STF determines the amount billed for STRP contributions by taking a percentage of employee contributions that school divisions have remitted to STF since it last billed Education. It attaches supporting details including a copy of its cash mail record for the billing period. However, the support does not summarize the total amount remitted by each school division in the billing period.

School divisions remit employee contributions for STRP to STF at various times each month, and divisions make multiple remittances because of adjustments related to changes in staffing (e.g., number of participating employees, change in employees' salaries). For example, in the March billing periods, STF received about 15,000 different remittances of employees' contributions for STRP from the various school divisions.

Once a year, STF provides Education with its final billing for STRP along with its supporting calculations. STF calculates the final billing based on the difference between the amount it has invoiced Education and the actual amount of contributions due for STRP. STF provides similar support as its monthly billings. Education reviewed the STRP bills and supporting documents, but it did not adequately check that STF's calculations were accurate or reasonable.

Without processes to assess the accuracy of amounts paid for STRP contributions, Education could be contributing more or less than required by the Act.

- 1. We recommend the Ministry of Education check the accuracy of its contributions to the Saskatchewan Teachers' Retirement Plan on a periodic basis.**

<sup>4</sup> The Saskatchewan Teachers' Retirement Plan provides retirement benefits to all teachers new to teaching in the Saskatchewan provincial PreK-12 system since July 1, 1980. The plan is administered by the Saskatchewan Teachers' Federation.



## 4.2 Accounting for Shared Ownership Agreements and Certain Funding for Repayment of Capital Loans Under Review

We recommended that the Ministry of Education follow Canadian generally accepted accounting principles for the public sector when accounting for assets constructed under shared ownership agreements. (2013 Report – Volume 2; Public Accounts Committee agreement June 17, 2014)

**Status** – Under Review

We recommended that the Ministry of Education properly record capital grants to school divisions in its financial records. (2012 Report – Volume 2; Public Accounts Committee agreement June 17, 2014)

**Status** – Under Review

Since our Office made these recommendations, in March of 2014 the Government, appropriately, decided to change its financial reporting focus to the Summary Financial Statements. Because Education and school divisions are both part of the Government, how Education accounts for the above items does not affect the accuracy of the Government's Summary Financial Statements.<sup>5</sup>

As described in our *2013 Report – Volume 2*, Chapter 6, in our view, Education has not been following Canadian generally accepted accounting principles for the public sector (GAAP) in two areas:

- ▶ When accounting for assets constructed under the seven contractual agreements for certain capital projects with seven school divisions. Education refers to these as “shared ownership agreements.”
- ▶ When accounting for funding provided to school divisions to enable them to repay the principal and interest due on certain loans for capital projects. Our Office refers to these as “constructive obligations.”

We have raised similar concerns for the Ministry of Health (for both areas) and for the Ministry of Advanced Education (for accounting for constructive obligations).

The Standing Committee on Public Accounts (PAC) has discussed the accounting for these areas at various hearings.<sup>6</sup> On January 13, 2014, in its discussion of these areas, it made the following motion: “Recognizing the difference of professional interpretations the Standing Committee on Public Accounts recommends that the Minister of Finance have his officials continue to examine this issue and discuss it further with the Provincial

<sup>5</sup> That is, financial activities between government entities are eliminated in preparation of the Summary Financial Statements.

<sup>6</sup> January 13, 2014 hearing on Ministry of Finance, March 26, 2014 hearing on Regional Health Authorities, May 14, 2014 hearing on Ministry of Advanced Education, June 17, 2014 hearing on the Ministry of Education, September 9, 2014 hearing on Ministry of Health.



Auditor.” At September 30, 2014, the Ministry of Finance was continuing to evaluate the accounting for these matters and plans to meet with our Office.

### 4.3 Capital Funding Agreements with School Divisions Needed

We recommended that the Ministry of Education enter into written agreements with school divisions setting out the terms and conditions of its capital grants that support the Ministry’s expenses. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Partially Implemented

In 2013-14, as a temporary measure, Education entered into Memorandums of Understanding with applicable school divisions to set out some terms and conditions for current portions of multi-year major capital construction projects. In 2014-15, Education expects to use capital funding agreements to communicate to school divisions complete terms and conditions associated with capital grants.

Formal funding agreements would help Education and school divisions have a clear understanding of the terms and conditions of capital funding and expectations about the management of capital projects.

### 4.4 Some Improvement in Information Technology Controls

We recommended the Ministry of Education (formerly the Department of Learning) sign a service level agreement with the Information Technology Division of the Ministry of Central Services. (2006 Report – Volume 3; Public Accounts Committee agreement March 31, 2007)

**Status** – Implemented

During 2013-14, Education and the Information Technology Division of the Ministry of Central Services (ITD) completed appendices to the memorandum they signed in 2011-12. These appendices related to the significant outstanding requirements (i.e., service, disaster recovery, and reporting requirements).

We recommended that the Ministry of Education (formerly the Department of Learning) follow its established procedures for user access to its systems and data. (2007 Report – Volume 3; Public Accounts Committee agreement January 9, 2008)

**Status** – Partially Implemented

As in prior years, Education did not consistently follow its processes for promptly removing user access to its computer systems from individuals who were no longer in its employment. In 2013-14, we found 6 out of 17 individuals tested did not have their access removed promptly. For example, in one instance, access was not removed until 42 days after the employment ended.

Not removing access of individuals who are no longer in its employ increases the risk of inappropriate access to Education's computer systems and data.

We recommended the Ministry of Education monitor the effectiveness of the Information Technology Division of the Ministry of Central Services' security controls to protect the Ministry's computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status – Not Implemented**

ITD provides Education with computers and network access, and acts as custodian for Education's information systems and data. ITD hosts a number of computer systems that are critical to Education's operations. For example, ITD hosts the Student Data System, a key computer system that compiles student data used to calculate grants to school divisions, as well as administer and report grade 10-12 student demographics, enrolment, registration, and marks.

During the year, consistent with prior years, Education received standard reports from ITD. However, these reports continued to not contain sufficient information to enable Education to assess the effectiveness of ITD's security controls. For example, they did not include information about how security weaknesses at ITD impact Education's IT systems and data (e.g., patch management). Also, Education's Information Technology Management Committee, which is responsible for oversight of Education's IT governance (e.g., strategy, policies, service level agreements), did not meet regularly during 2013-14 to oversee and discuss services ITD provides or related security concerns. The Committee resumed regular meetings in March 2014.

Education must ensure it obtains adequate information from ITD about its computer systems and data and takes prompt action to address any significant deficiencies identified. This information may include whether ITD applies current security updates (i.e., patches) in a timely manner to key servers and operating systems and properly restricts access to key servers. Documentation of critical systems and data, their key risks, and existing or required controls (including any IT and non-IT controls at Education) may help Education determine what information it requires to monitor the security of its systems and data.

Without sufficient information, Education cannot know if ITD is addressing Education's security needs and whether ITD is keeping Education's computer systems and data secure.



We recommended the Ministry of Education prepare an information technology strategic plan. (2009 Report – Volume 3; Public Accounts Committee agreement May 12, 2010)

**Status – Partially Implemented**

Education continues to work on developing an IT strategic plan. Education advised that it intends to seek the advice of ITD when developing the plan. It has not yet established a deadline for completion of its IT strategic plan.

An IT strategic plan would help ensure IT resources and initiatives appropriately support Education's strategic direction. Also, it would help management determine if it has addressed the threats and risks to Education's computer systems and data.



## Chapter 7 eHealth Saskatchewan

### 1.0 MAIN POINTS

This chapter reports the results our audits of eHealth Saskatchewan (eHealth) for the years ended March 31, 2013 and March 31, 2014.

eHealth's 2013 and 2014 financial statements are reliable. It complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing, and it had effective rules and procedures to safeguard public resources except for three areas.

eHealth needs to follow its processes to remove unneeded user access to its information technology (IT) systems and data promptly. It also needs a complete and tested disaster recovery plan, and needs to authorize all requests for changes to its accounting records on a timely basis.

### 2.0 INTRODUCTION

Cabinet established eHealth Saskatchewan (eHealth) through an Order in Council under *The Crown Corporations Act, 1993*.<sup>1</sup> The mandate of eHealth is to lead the provincial planning and strategy for the Saskatchewan electronic health record (EHR). Its mandate is also to procure, implement, own, operate, and manage the EHR and other health information systems (e.g., the associated provincial components and infrastructure) to facilitate improved access to health providers and patients and the use of electronic health information. Also, eHealth is responsible for establishing the provincial health information and technology standards necessary to provide access to the Saskatchewan EHR, and the associated provincial components and infrastructure.<sup>2</sup>

eHealth provides the Ministry of Health and the regional health authorities with some critical IT services and operates a data centre. The Ministry's business continuity plan indicates eHealth is its prime disaster recovery provider.

In 2013-14, eHealth had revenues of \$78.6 million (2013: \$104.7 million) including \$67.8 million of grants from the Ministry of Health (2013: \$91.5 million), expenses of \$91.7 million (2013: \$94.2 million) and an annual deficit of \$13.1 million (2013: surplus of \$10.5 million). At March 31, 2014, it had net financial assets of \$11.9 million (2013: \$17.6 million) and tangible capital assets of \$44.8 million (2013: \$51.9 million). Most of its tangible capital assets relate to computer network hardware and system development costs.

<sup>1</sup> Saskatchewan Health Information Network (SHIN) was established as a Treasury Board Crown Corporation by Order in Council 581/1997. SHIN was renamed eHealth Saskatchewan by Order in Council 734/2010.

<sup>2</sup> *Saskatchewan Provincial Budget 14-15 Estimates*, p.167.



### 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the years ended March 31, 2013 and 2014:

- ▶ eHealth's financial statements are reliable
- ▶ eHealth had effective rules and procedures to safeguard public resources except for the matters described in this chapter
- ▶ eHealth complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

eHealth's governing Orders in Council  
*The Crown Corporations Act, 1993*  
*The Financial Administration Act, 1993*  
*The Tabling of Documents Act, 1991*  
Regulations and Orders in Council issued pursuant to the above legislation

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of eHealth's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2013 and 2014 audits, we examined the effectiveness of eHealth's financial-related controls used to administer the revenues, expenses and assets identified in **Section 2.0**. eHealth's significant expenses include professional fees, software maintenance, and amortization of tangible capital assets. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

### 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

#### 4.1 Timely Removal of User Access to IT Systems and Data Needed

While eHealth has established processes to promptly remove unneeded user access to its IT systems and data, staff did not consistently follow them.

In our testing of 2013-14 activity, we found 2 out of 13 individuals no longer employed by eHealth had access to its systems and data up to eight months after their last day of employment.

If unneeded access to systems and data is not removed promptly, it increases the risk of inappropriate access to eHealth's systems and data and could result in inappropriate use or manipulation of data.

1. We recommend that eHealth Saskatchewan follow its processes to remove unneeded user access to its IT systems and data promptly.

## 4.2 Changes to Accounting Records Need Timely Approval

We recommended that eHealth approve all requests for changes to accounting records (journal entries) before changing its accounting records. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Partially Implemented

eHealth requires management to review and approve all journal entries. However, during our audits, we found that journal entries were not reviewed and approved on a timely basis.

Lack of timely review and approval increases the risk of fraud and errors without timely detection.

## 4.3 Compliance with Information Technology Security Policies

We recommended that eHealth Saskatchewan follow its policies when disposing of information technology and communication equipment. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

During our audit, we did not find any incidents of non-compliance with eHealth's policies for disposing of IT and communication equipment.

## 4.4 Disaster Recovery Plan Needed

We recommended that eHealth have an approved and tested disaster recovery plan for systems and data. (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

**Status** – Not Implemented



eHealth continues to not have a complete and tested disaster recovery plan (DRP). Its DRP does not address the Ministry of Health's and regional health authorities' requirements for recovery of their systems and data located in eHealth's data centre. The ability of the Ministry and regional health authorities to recover their systems and data depends on the adequacy of eHealth's recovery plan.

Without such a plan, eHealth, the Ministry and the regional health authorities may not be able to restore their IT systems and data in the event of a catastrophic IT event at eHealth's data centre.



## Chapter 8 Environment

### 1.0 MAIN POINTS

This chapter reports the results of the annual audits of the Ministry of Environment (Environment), the Fish and Wildlife Development Fund (Fund), and the Water Appeal Board (Board) for the year ended March 31, 2014.

Environment, the Fund, and the Board complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue rising, spending, borrowing, and investing. The 2013-14 financial statements of Fish and Wildlife Development Fund and Water Appeal Board are reliable.

Environment and the Board had effective rules and procedures to safeguard public resources except for the following matters. Environment needs to complete its business continuity plan and follow procedures to remove unneeded user access to systems and data promptly. Additionally, Environment needs to consistently record the cost of inventory purchases.

### 2.0 INTRODUCTION

Environment is responsible for working with Saskatchewan stakeholders to protect the water, air and natural resources to achieve a high environmental standard and to support sustainable development in the use of these resources.<sup>1</sup>

At March 31, 2014, Environment was responsible for the Fish and Wildlife Development Fund (a special purpose fund) and Water Appeal Board.

### 2.1 Financial Overview

For the year ended March 31, 2014, Environment spent \$158.5 million (2013 – \$169.1 million) including net capital acquisitions of \$9.6 million (2013 – \$13.8 million). Also, Environment recorded revenue of \$58.8 million (2013 – \$59.9 million) from licenses and permit fees for fishing, hunting, forestry, non-refundable deposits on beverage containers, and fire suppression cost-sharing agreements. In addition, Environment raised revenue and incurred expenses through the Fish and Wildlife Fund and nine forest management funds.<sup>2</sup>

Information about Environment's revenues and expenditures appear in its *2013-14 Annual Report* (see [www.environment.gov.sk.ca/annual-report2013-14](http://www.environment.gov.sk.ca/annual-report2013-14)). **Figure 1** presents Environment's major programs and spending.

<sup>1</sup> Saskatchewan Ministry of Finance, *2013-14 Saskatchewan Provincial Budget: Estimates*, p. 59.

<sup>2</sup> Operators who harvest timber in the province are required to pay fees into a forest management fund and dues to the Ministry of Environment based on harvest amounts. These funds are monitored by the Ministry of Environment.



Figure 1—Comparison of Estimates to Actual Spending by Program

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Central Management and Services	\$ 16.9	\$ 14.9
Climate Change	4.3	1.7
Landscape Stewardship	3.9	3.3
Environmental Support	3.0	2.5
Fish and Wildlife	9.8	10.2
Compliance and Field Services	16.8	16.6
Environmental Protection	39.6	38.7
Forest Services	12.5	11.6
Wildfire Management	<u>60.2</u>	<u>59.0</u>
<b>Total Appropriation</b>	<u>167.0</u>	<u>158.5</u>
Capital Asset Acquisitions	(12.7)	(9.6)
Capital Asset Amortization	9.1	9.4
Non-Spending Control Items	<u>0.0</u>	<u>(4.2)*</u>
<b>Total Expense</b>	<u>\$ 163.4</u>	<u>\$ 154.1</u>

Source: 2013-14 Ministry of Environment Annual Report.

\* This number represents the change in inventory and the change in prepaid expenses.

### 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2014:

Environment and the Water Appeal Board had effective rules and procedures to safeguard public resources, except as noted in this chapter

Environment, the Fish and Wildlife Fund, and the Water Appeal Board complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

*The Crown Resource Land Regulations*  
*The Environmental Management and Protection Act, 2002*  
*The Federal-Provincial Agreements Act*  
*The Financial Administration Act, 1993*  
*The Fisheries Act (Saskatchewan), 1994*  
*The Fisheries Regulations*  
*The Forest Resources Management Act*  
*The Forest Resources Management Regulations*  
*The Government Organization Act*  
*The Litter Control Act*  
*The Litter Control Designation Regulations*  
*The Mineral Industry Environmental Protection Regulations, 1996*

*The Ministry of Environment Regulations, 2007*  
*The Natural Resources Act*  
*The Prairie and Forest Fires Act, 1982*  
*The Provincial Lands Act*  
*The Provincial Lands Regulations*  
*The Public Service Act, 1998*  
*The Purchasing Act, 2004*  
*The State of the Environment Report Act*  
*The Water Appeal Board Act*  
*The Water Security Agency Act (section 84)*  
*The Wildlife Act, 1998*  
*The Wildlife Regulations, 1981*  
 Orders in Council issued pursuant to the above legislation

The financial statements of the Fish and Wildlife Fund and the Water Appeal Board are reliable

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of Environment's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Our audit included examining the effectiveness of Environment's and the Water Appeal Board's financial-related controls used to administer their spending, their revenues, and their various assets consistent with related authorities. In addition, we examined the effectiveness of the controls Environment and the Board used to keep reliable financial records, prepare reliable financial reports, and the controls Environment used to safeguard the Crown lands that it administers. This year, in our audit of Environment, we paid particular attention to the following areas:

- ▮ Revenue reconciliation from the Beverage Container Collection and Recycling program
- ▮ Payment processes including the operating grant to the Fish and Wildlife Development Fund and the Water Appeal Board
- ▮ Purchases, payments, and inventory management in Wildfire management and forest services as these help to safeguard public resources
- ▮ Lease, licence, and permit revenues

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Timely Removal of User Access Needed

Staff are not always following Environment's established procedures for promptly removing user access to its computer systems and data.

Staff did not request prompt removal of access to the payroll system for one individual we tested. The user access was removed 40 days after the person's last day of employment. Also, for two out of ten individuals that we tested, staff did not request prompt removal of their computer network access. For one of those individuals, Environment requested the removal of their network access 102 days after their last day of employment.

Not removing user access to its systems promptly increases the risk of inappropriate access to systems and data.

1. We recommend that the Ministry of Environment follow its established procedures and remove unneeded user access to systems and data promptly.



## 4.2 Processes to Secure Data

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We recommended that the Ministry of Environment establish adequate processes to secure data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – Implemented

In April of 2013, Environment implemented the Hunting and Angling License (HALs) system for issuing hunting and fishing licenses. Since this system was implemented, patrons who choose to purchase their licenses online are taken to a website that is compliant with industry standards for securing credit card information.

With respect to timely removal of user access, we found that some weaknesses still exist (see **Section 4.1**).

## 4.3 Complete and Tested Business Continuity Plan Needed

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We recommended that the Ministry of Environment prepare a complete business continuity plan. (2006 Report – Volume 3; Public Accounts Committee agreement March 7, 2007)

**Status** – Partially Implemented

Environment provides a number of environmental programs and services to Saskatchewan residents. Environment has assessed certain programs and services, such as hunting enforcement and wildfire management, as being critical. Therefore, should a disaster occur, Environment's ability to deliver these programs and services should not be disrupted for an extended period of time.

During the 2013-14 year, Environment began updating the current business continuity plan (BCP) to include all newly-assessed risks. Completion of its BCP to address these risks and testing of the BCP had not occurred. Environment plans to begin testing the BCP and training staff in the 2014-15 year.

## 4.4 Need to Record the Cost of Inventory Items

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Environment did not follow its policies to keep complete records of its inventory.

Environment maintains inventory consisting primarily of airplane parts used to maintain firefighting airplanes. At March 31, 2014, \$19 million of its \$23 million inventory total related to airplane parts.

Environment has policies that provide guidance on how inventory items are to be recorded; however, they were not always followed. Policies expect staff to record, in its inventory records, the number of items purchased (quantity) and their cost. Environment



uses the cost information in its inventory records to determine the value of its inventory in its accounting records at year-end.

During our audit, we found Environment did not record the cost of approximately \$1.2 million in airplane parts it purchased when it entered the related inventory quantities in its inventory records. Subsequently, Environment determined the costs for each of these inventory items, and recorded them in its inventory records by March 31, 2014.

Without timely recording of the cost of inventory items, Environment can not accurately determine the value of its inventory in its accounting records.

- 2. We recommend that the Ministry of Environment follow its established policies for recording the cost of inventory items in its inventory records.**



## Chapter 9

### Finance

#### 1.0 MAIN POINTS

This chapter reports the results of our annual audit of the Ministry of Finance (Finance) and six agencies with March 31 year-ends. Finance and these agencies complied with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2013-14 financial statements of each of the agencies are reliable. Finance and these agencies had effective rules and procedures to safeguard public resources except for the matters noted in this chapter.

Finance administers the corporate capital tax program including resource surcharge revenues. In order to ensure it records these revenues in the proper period, Finance needs to complete its development and implementation of a more accurate reporting model for these revenues.

Finance did not require one of its information technology (IT) service providers, the Information Technology Division of the Ministry of Central Services (ITD), to annually confirm, through testing, whether ITD could recover Finance's critical systems and data in the event of a disaster. Also, Finance did not follow its processes to promptly remove unneeded user access to its IT systems and data.

Finance has set a market-based benchmark for its sinking fund investments to help it evaluate whether it earned an effective return on these investments. It reported the results of this evaluation to senior management, but had not reported this information publicly. It also had not completed the documentation of its treasury management procedures.

#### 2.0 INTRODUCTION

Finance helps the Government manage and account for public money. Its mandate is to provide options and advice to Treasury Board and Cabinet on managing and controlling the Government's finances. Its responsibilities include the following:

- 1 Administering and collecting provincial taxes
- 1 Arranging government financing, banking, investing, and borrowing
- 1 Administering certain public sector pension and benefit plans
- 1 Receiving revenues from taxation and transfers
- 1 Controlling spending from approved appropriations
- 1 Maintaining ministry-wide revenue and expense systems including the financial modules of the computerized Multi-informational Database Applications system (called MIDAS Financials)



Providing information, advice, and analysis on:

- Government-wide fiscal and economic policies including tax policy alternatives and budgetary decisions related to the core government operations
- Strategic policy on matters related to public sector compensation and management or collective bargaining
- Financial management and accounting
- Annual performance planning, measuring, and reporting processes<sup>1</sup>

## 2.1 Special Purpose Funds and Agencies

Finance administers and is responsible for the following special purpose funds and agencies (agencies). Each of the agencies (except for the Growth and Financial Security Fund and the General Revenue Fund)<sup>2</sup> provide the Legislative Assembly with audited financial statements; some also provide an annual report.

### Year Ended March 31

General Revenue Fund (GRF)<sup>3</sup>

Growth and Financial Security Fund

Judges of the Provincial Court Superannuation Plan

Public Employees Benefits Agency Revolving Fund

Public Employees Pension Plan

Public Service Superannuation Plan

Saskatchewan Pension Annuity Fund

Water Security Agency Retirement Allowance Plan

### Year Ended December 31

Extended Health Care Plan

Extended Health Care Plan for Certain Other Employees

Extended Health Care Plan for Certain Other Retired Employees

Extended Health Care Plan for Retired Employees

Municipal Employees' Pension Commission

Municipal Financing Corporation of Saskatchewan

Public Employees Deferred Salary Leave Fund

Public Employees Dental Fund

Public Employees Disability Income Fund

Public Employees Group Life Insurance Fund

Saskatchewan Government Insurance Service Recognition Plan

Saskatchewan Pension Plan

Saskatchewan Power Corporation Designated Employee Benefit Plan

Saskatchewan Power Corporation Severance Pay Credits Plan

Saskatchewan Water Corporation Retirement Allowance Plan

SaskEnergy Retiring Allowance Plan

SaskPower Supplementary Superannuation Plan

This chapter includes the results of our annual audit of the Ministry of Finance and the other agencies with March 31 year-ends. Our *2014 Report – Volume 1* reported the results of our audits of agencies with December 31 year-ends.

<sup>1</sup>Ministry of Finance, *Ministry of Finance Annual Report for 2013-14*.

<sup>2</sup>Both the General Revenue Fund and the Growth and Financial Security Fund do not prepare financial statements and are not legally required to do so. *Public Accounts – Volume 2* includes information on these funds.

<sup>3</sup>The General Revenue Fund is comprised of all ministries of the Government. It is the fund into which all revenues are paid unless otherwise provided for by law and from which all expenses are appropriated by the Legislative Assembly.



## 2.2 Financial Overview

For the year ended March 31, 2014, Finance administered revenues of \$8.7 billion (2013 – \$8.7 billion), spent approximately \$0.7 billion (2013 – \$0.9 billion), and managed gross public debt<sup>4</sup> of \$11.9 billion (2013 – \$11.3 billion) and investments in sinking funds<sup>5</sup> of \$1.7 billion (2013 – \$1.8 billion).<sup>6</sup>

**Figure 1** compares actual revenue to budget by major type of revenue, **Figure 2** compares actual spending to budget by major program, and **Figure 3** compares actual spending to budget by object.

**Figure 1—Comparison of Estimates to Actual by Major Type of Revenue**

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Taxation	\$ 5,983.6	\$ 5,937.0
Non-renewable resources – resource surcharge	488.8	436.9
Transfers from government entities	714.8	711.4
Other own-source revenue	275.8	289.4
Transfers from the federal government	1,347.4	1,359.5
<b>Total</b>	<b>\$ 8,810.4</b>	<b>\$ 8,734.2</b>

Source: Saskatchewan Provincial Budget 13-14 Estimates (votes 12 and 18); Ministry of Finance Annual Report for 2013-14.

**Figure 2—Comparison of Estimates to Actual Spending by Major Program**

	Estimates 2013-14*	Actual 2013-14
	(in millions)	
Public service pension and benefits**	\$ 291.1	\$ 289.5
Revenue division	26.4	26.5
Research and development tax credit	15.0	34.7
Provincial comptroller	11.8	9.9
Central management and services	6.4	6.1
Budget analysis	5.3	5.2
Treasury and debt management	2.3	1.9
Personnel policy secretariat	0.5	0.5
Miscellaneous	0.1	0.0
<b>Total appropriation – vote 18</b>	<b>\$ 358.9</b>	<b>\$ 374.3</b>
Capital asset acquisitions	(0.0)	(0.0)
Amortization of capital assets	1.0	0.6
<b>Total expense – vote 18</b>	<b>\$ 359.9</b>	<b>\$ 374.9</b>
Debt servicing appropriation and expense – vote 12	340.0	327.9
<b>Total expense – Finance</b>	<b>\$ 699.9</b>	<b>\$ 702.8</b>

Source: Saskatchewan Provincial Budget 13-14 Estimates (votes 12 and 18); Ministry of Finance Annual Report for 2013-14; Ministry of Finance 2013-14 financial records.

\*Finance obtained additional funding through special warrants of \$20.9 million.

\*\*Finance determines the estimated and actual expenses for public service pension and benefits using the cash basis of accounting instead of the accrual basis. For 2013-14, the audited Summary Financial Statements include additional pension and benefits costs for defined pension and benefit plans sponsored by the Ministry of Finance of \$75.85 million.

<sup>4</sup> Gross public debt is borrowings through the issuance of debt instruments such as promissory notes and debentures.

<sup>5</sup> Investments in sinking funds are investments set aside for the repayment of debt.

<sup>6</sup> Ministry of Finance 2013-14 financial records.

Figure 3—Comparison of Estimates to Actual Spending by Object

	Estimates 2013-14 <sup>*</sup>	Actual 2013-14
	(in millions)	
Debt servicing	\$ 340.0	\$ 327.9
Salaries and benefits (includes pensions)	315.4	312.2
Transfers – operating	15.0	34.7
Goods and services	28.5	27.4
Capital asset amortization	1.0	0.6
<b>Total expense</b>	<b>\$ 699.9</b>	<b>\$ 702.8</b>

Source: Saskatchewan Provincial Budget 13-14 Estimates (votes 12 and 18); Ministry of Finance 2013-14 financial records.

<sup>\*</sup>Finance obtained additional funding through special warrants of \$20.9 million.

Finance's annual report explains significant differences between actual and estimated revenues and expenses.<sup>7</sup>

### 3.0 AUDIT CONCLUSIONS AND SCOPE

To complete our audit of the Public Employees Pension Plan, our Office worked with Deloitte LLP, the appointed auditor. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>8</sup>

**In our opinion, for the year ended March 31, 2014:**

- ▶ Finance and its agencies had effective rules and procedures to safeguard public resources except for the matters reported in this chapter
- ▶ Finance and its agencies complied with the authorities set out in Exhibit 5.1 governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- ▶ Each agency<sup>9</sup> had reliable financial statements

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of Finance's and the agencies' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of Finance's financial-related controls used to administer the revenue listed in **Figure 1** and spending listed in **Figures 2 and 3**, keep reliable financial records, and prepare reliable financial reports.

Finance estimates income tax and resource surcharge revenues. We assessed its processes to assess, estimate, collect, and record these revenues. Finance also administers the GRF's bank accounts, short- and long-term debt, and short- and long-

<sup>7</sup> Ministry of Finance, *Ministry of Finance Annual Report for 2013-14*.

<sup>8</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).

<sup>9</sup> Both the General Revenue Fund and the Growth and Financial Security Fund do not prepare financial statements and are not legally required to do so. *Public Accounts – Volume 2* includes information on these funds.

term investments (including investments in sinking funds). We assessed its processes to record and manage cash (including its bank reconciliation procedures and the opening and closing of bank accounts), buy and sell investments, and obtain and repay debt. Also, because Finance relies on its computer systems to manage its operations, we assessed its controls over key IT service providers, IT security, change management processes, and user access. In 2013-14, Finance began its conversion to a new debt management IT system. We examined its processes to ensure the data in its new system was complete and accurate.

The law requires us to report when a special warrant approved the payment of public money. For the year ended March 31, 2014, Cabinet approved, through Orders in Council (special warrants), spending of \$57.2 million; the Legislative Assembly later approved these amounts through appropriation acts.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Revenue Estimation Processes Improved

We recommended that the Ministry of Finance revise its processes to estimate and record corporate income tax revenues so that it only records revenue that it has earned. (2012 Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

**Status** – Implemented

In 2013-14, provincial corporate income tax (CIT) revenue was \$1.017 billion (2012-13 – \$0.838 billion).

Finance publicly recognizes (i.e., in the notes to the Summary Financial Statements) that the amount of CIT revenue it records for a given taxation year could materially differ from the final tax assessments for that year (which are completed a year later). In prior years, the amount of CIT revenue recorded by Finance and the amount of CIT revenue earned based on final tax assessments have differed significantly (e.g., annual differences have ranged from \$31 million to \$351 million between the 2005 to the 2012 tax years).

Finance uses CIT cash installments received from the federal government as the basis to estimate and record corporate income tax revenue earned by the province in each fiscal period. The federal government determines these CIT installments based on the CIT estimation model set out in the Tax Collection Agreement.<sup>10</sup> The estimation model is intended to approximate the taxes earned by each province in each fiscal period. The federal government and participating provinces updated this estimation model in 2012 through an amendment to the Tax Collection Agreement.

<sup>10</sup> The Tax Collection Agreement is an agreement between the Government of Canada and participating provinces and territories (other than Quebec and Alberta). It was most recently amended in September 2012. The Government of Canada administers Saskatchewan's provincial income taxes under the terms of this agreement.



Finance actively monitors information received from the federal government on actual assessments to determine the possible impact on its revenue. Finance has identified and monitors the primary factors that may create fluctuations in CIT revenue. These include the use of federal estimates of the national corporate taxable income (NCTI) base, the volatility in Saskatchewan's share of the NCTI base, and tax credits claimed from year to year. Volatility in Saskatchewan's share of the NCTI base primarily results from profit variability for a small number of very large corporate taxpayers in the resource sector, arising from commodity price fluctuations, the timing of sales contracts, and capital investment intentions.

Since the changes were made to the Tax Collection Agreement in 2012, the differences between CIT revenue recorded by Finance (based on estimates) and actual CIT revenue (based on final tax assessments) have decreased.

We recommended that the Ministry of Finance establish a process to better estimate resource surcharge revenue earned during each quarter and record this estimate each quarter. (2011 Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

**Status** – Partially Implemented

Finance continued its development of a more accurate reporting model for resource surcharge revenues by collecting and analyzing historical data for uranium and potash revenues. Finance expects to complete and potentially use this reporting model for these resource surcharge revenues in 2014-15. If Finance determines that the model provides a reasonable basis for estimating these resource surcharge revenues, it plans to develop a new reporting model for oil and gas resource surcharge revenues.

Without effective processes to estimate and record revenues, future financial statements of the Government may contain significant errors.

## 4.2 Improved Monitoring of IT services from Central Services – Information Technology Division

We recommended that the Ministry of Finance require the Information Technology Office (ITO) to give it, each year, information on the adequacy of ITO's controls for keeping Finance's computer systems and data secure and available. (2010 Report – Volume 2; Public Accounts Committee agreement May 18, 2011)

**Status** – Implemented

Since 2011, Finance and the Ministry of Central Services – Information Technology Division (ITD)<sup>11</sup> have had a memorandum of understanding (MOU) regarding the IT services that ITD provides. The MOU includes Finance's information technology security

<sup>11</sup> Effective May 2012, the Information Technology Office (ITO) was disestablished as a separate Ministry and became the Information Technology Division (ITD) of the Ministry of Central Services.



and specific disaster recovery requirements. The MOU requires ITD to provide Finance with regular reports to help it monitor the services ITD provides.

During 2013-14, Finance received most of the reports it requested from ITD about the security and availability of its systems and data. Where it did not receive the requested reports, Finance actively followed up with ITD to obtain the necessary information. Also, Finance regularly discussed security issues with ITD.

We recommended that the Ministry of Finance confirm, in writing, processes and policies that the Information Technology Office (ITO) uses to address its specific information technology security and disaster recovery requirements, and then identify and set up additional policies unique to the Ministry of Finance as necessary. (2006 Report – Volume 3; Public Accounts Committee agreement March 13, 2007)

**Status – Partially Implemented**

To monitor whether ITD fulfills its IT security and disaster recovery requirements, Finance meets with ITD staff and receives and reviews reports on IT security (e.g. user access, firewall, intrusion detection) to assess whether its systems and data are secure and available. However, it does not always resolve identified disaster recovery issues on a timely basis.

For example, during 2011-12, ITD advised Finance that based on the results of its disaster recovery test on one of Finance's systems and data, ITD was unable to conclude that it would be able to fully recover this system in the event of a disaster. Finance is aware that ITD has not performed any disaster recovery test exercises on Finance's systems that it hosts since that time. However, at March 2014, Finance had not determined how it planned to respond to the risk that ITD may not be able to recover its critical systems and data in the event of a disaster. It had not required, in writing, that ITD complete disaster recovery testing annually on its critical systems, and provide it with the results of the testing so it could work with ITD to resolve any issues encountered. This would allow Finance to confirm that its systems and data can be restored in a timely manner in the event of a disaster.

Not requiring timely testing of disaster recovery plans and promptly resolving issues arising from the testing of those plans increases the risk that ITD may not be able to recover Finance's critical systems and data in the event of a disaster.

### **4.3 Need to Follow Established Procedures for Removing User Access Promptly**

We recommended that the Ministry of Finance follow its processes for removing unneeded user access to its information technology systems and data promptly. (2010 Report – Volume 2; Public Accounts Committee agreement May 18, 2011)

**Status – Partially Implemented**



Staff did not consistently follow Finance's established processes for removing unneeded access promptly.

During 2013-14, Finance continued to receive and review bi-weekly reports from ITD that identified inactive system users. Starting in May 2013, to help identify any users that require removal of access, Finance compared listings provided by the Public Service Commission of employees no longer employed by Finance to user access listings from ITD.

However, in 2013-14, our testing found nine instances where access was not removed promptly (i.e., access not removed until 3 to 294 days after last day of employment) (2012-13 – six instances where access removed 2 to 102 days after last day of employment).

If unneeded user access is not removed promptly, it increases the risk of inappropriate access and unauthorized changes to the systems and data.

#### 4.4 Improved Reporting on Performance of Investments in Sinking Funds Needed

We recommended that the Ministry of Finance monitor and report publicly on the performance of the investments in its sinking funds. (2009 Report – Volume 1; Public Accounts Committee agreement June 25, 2010)

**Status – Partially Implemented**

At March 31, 2014, Finance managed the Government's investments in sinking funds totalling \$1.73 billion (2013 – \$1.83 billion). Investments in sinking funds are money the Government has set aside to repay its long-term debt. In 2013-14, these investments earned \$63.9 million (2013 – \$141.9 million).<sup>12</sup>

In 2012-13, Finance set market-based benchmarks using the DEX Mid-Term Government Bond Index<sup>13</sup> to assess the reasonableness of returns earned on its sinking fund investments. Starting in 2013-14, quarterly reports to senior management included comparisons of actual returns to the DEX index along with reasons for differences.

The Canadian Public Sector Accounting Board's Statement of Recommended Practice on Financial Statement Discussion and Analysis<sup>14</sup> suggests governments include an analysis of the rates of return on investments and portfolio composition to further the understanding of the nature and magnitude of resources available to the government.

In 2013-14, public information on the performance of the Government's investments in the sinking funds was limited to information included in the Government's Summary

<sup>12</sup> Schedule 9 of the Government of Saskatchewan Summary Financial Statements – *Public Accounts 2013-14 Volume 1*, p. 64.

<sup>13</sup> Effective October 1, 2013, this index was renamed the FTSE TMX Canada Mid-Term Government Bond Index. The index is designed to measure the performance of government bonds outstanding in the Canadian market. See [www.ftse.com/products/FTSETMX/Home/indices](http://www.ftse.com/products/FTSETMX/Home/indices) (8 October 2014).

<sup>14</sup> The Canadian Public Sector Accounting Board provides governments with best practices for information to include in their financial statement discussion and analysis.

Financial Statements (i.e., total amount of actual earnings and portfolio composition of investments in sinking funds).

Not making public an analysis of rate of returns on sinking fund investments increases the risk that legislators and the public will not understand Finance's performance in managing the Government's investments in sinking funds.

## 4.5 Key Treasury Management Procedures Documentation Needs Improvement

We recommended that the Ministry of Finance document its key treasury management procedures in sufficient detail so it can continue to operate effectively after staff turnover. (2009 Report – Volume 1; Public Accounts Committee agreement June 25, 2010)

**Status** – Partially Implemented

During 2013-14, Finance began implementing a new debt management IT system. As part of the new system implementation, management is documenting new treasury management procedures. By March 31, 2014, it had completed phase 1 of the project and was developing phases 2 and 3. It expects to complete these phases during 2014-15.

Also, during 2013-14, Finance documented procedures for Saskatchewan Savings Bonds. It expects to complete its documentation of other key treasury management procedures in conjunction with the implementation of the new debt management IT system.

Lack of documented detailed procedures could hamper the ability of Finance to continue with minimal interruption in its treasury management functions in the event of staff turnover.

**5.0 EXHIBIT****5.1 Summary of Relevant Legislation**Finance:

*The Government Organization Act*  
*The Ministry of Finance Regulations, 2007*  
*The Corporation Capital Tax Act*  
*The Corporation Capital Tax Regulations, 1984*  
*The Federal-Provincial Agreements Act*  
*The Financial Administration Act, 1993*  
*The Fuel Tax Act, 2000*  
*The Fuel Tax Regulations, 2000*  
*The Growth and Financial Security Act*  
*The Income Tax Act, 2000*  
*The Insurance Premiums Tax Act*  
*The Liquor Consumption Tax Act*  
*The Motor Vehicle Insurance Premiums Tax Act*  
*The Provincial Sales Tax Act*  
*The Provincial Sales Tax Regulations*  
*The Revenue and Financial Services Act*  
*The Revenue Collection Administration Regulations*  
*The Tobacco Tax Act, 1998*  
*The Tobacco Tax Regulations, 1998*  
Orders in Council issued pursuant to the above legislation

Public Employees Pension Plan:

*The Public Employees Pension Plan Act*  
*The Public Employees Pension Plan Regulations*  
*The Superannuation (Supplementary Provisions) Act*  
*The Pension Benefits Act, 1992*  
*The Pension Benefits Regulations, 1993*  
*The Pension Benefits Standards Regulations, 1985*  
(Canada)  
*The Income Tax Act (Canada)* (sections 147.1, 147.2, and 147.3)  
*The Income Tax Regulations (Canada)* (sections 8501-8505, 8512, 8514)  
*The Tabling of Documents Act, 1991*  
Orders in Council issued pursuant to the above legislation

Saskatchewan Pension Annuity Fund:

*The Saskatchewan Pension Annuity Fund Act*  
*The Saskatchewan Pension Annuity Fund Regulations*  
*The Pension Benefits Act, 1992*  
*The Pension Benefits Regulations, 1993*  
*The Pension Benefits Standards Regulations, 1985*  
(Canada)  
*The Financial Administration Act, 1993*  
*The Trustee Act, 2009*  
Orders in Council issued pursuant to the above legislation

Judges of the Provincial Court Superannuation Plan:

*The Financial Administration Act, 1993*  
*The Pension Benefits Standards Regulations, 1985*  
(Canada) (Schedule III)  
*The Provincial Court Act, 1998*  
*The Provincial Court Compensation Regulations*  
*The Provincial Court Pension Plan Regulations*  
*The Pension Benefits Act, 1992*  
*The Pension Benefits Regulations, 1993*  
*The Income Tax Act (Canada)* (sections 147.1, 147.2, and 147.3)  
*The Income Tax Regulations (Canada)* (sections 8501-8504, 8512, 8514, and 8520)  
*The Superannuation (Supplementary Provisions) Act*, (section 36.2)  
*The Tabling of Documents Act, 1991*  
Orders in Council issued pursuant to the above legislation

Public Employees Benefits Agency Revolving Fund:

*The Financial Administration Act, 1993*  
*The Tabling of Documents Act, 1991*  
Orders in Council issued pursuant to the above legislation

Public Service Superannuation Plan:

*The Public Service Superannuation Act*  
*The Superannuation (Supplementary Provisions) Act*  
*The Superannuation Acts Uniform Regulations*  
*The Pension Benefits Act, 1992*  
*The Income Tax Act (Canada)* (sections 147.1, 147.2, and 147.3)  
*The Income Tax Act Regulations (Canada)* (sections 8501-8505, 8512, 8514, and 8520)  
*The Tabling of Documents Act, 1991*  
Orders in Council issued pursuant to the above legislation

Water Security Agency Retirement Allowance Plan:

*The Financial Administration Act, 1993* (section 64)  
*The Crown Employment Contracts Act* (section 8)  
Orders in Council issued pursuant to the above legislation  
Water Security Agency Retirement Allowance Plan Document



## Chapter 10

### Government Relations

#### 1.0 MAIN POINTS

This chapter contains the results of our 2013-14 annual audit of the Ministry of Government Relations (Ministry). The Ministry complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

During 2013-14, the Ministry had effective rules and procedures to safeguard public resources except that it needs to remove unneeded user access to its computer systems and data promptly.

#### 2.0 INTRODUCTION

The Ministry is responsible for municipal relations, public safety, and for First Nations, Métis, and northern affairs.<sup>1</sup> Its responsibilities include coordinating, developing, promoting, and implementing policies and programs related to cities, municipalities (urban, rural, northern), and matters of an inter-municipal nature. These responsibilities include policies and programs related to:

- › Community planning, development, and diversification of cities and municipalities
- › Joint ventures related to municipalities
- › Administrative and technical advice provided to administrators/councils to support the effective and efficient operation of municipal governments
- › Community facilities
- › Local government elections

Also, the Ministry is responsible for coordinating, developing, promoting, and implementing policies:

- › With respect to matters affecting First Nations and Métis peoples
- › To foster and advance development in northern Saskatchewan
- › For emergency management, disaster assistance, fire commissioner services, and building accessibility and other safety standards
- › For public safety (e.g., safety standards for boilers, pressure vessels, gas equipment and installations, electrical equipment and installations, elevators, and amusement rides, and licensing and regulating of related persons)<sup>2</sup>

<sup>1</sup> [www.gr.gov.sk.ca](http://www.gr.gov.sk.ca) (21 August 2014).

<sup>2</sup> *The Ministry of Government Relations Regulations.*



## 2.1 Financial Overview

For the year ended March 31, 2014, the Ministry had revenues of \$71.3 million (including \$55.7 million from the federal government) and expenses of \$527.0 million.

The following is a list of the Ministry's major programs and spending. **Figure 1** compares actual spending to budget by program. For further details and variance explanations, see the Ministry's 2013-14 *Annual Report* available on its website at [www.gr.gov.sk.ca](http://www.gr.gov.sk.ca).

**Figure 1—Comparison of Estimates to Actual by Major Program**

	Estimates 2013-14*	Actual 2013-14
	(in millions)	
Central Management Services	\$ 10.6	\$ 9.5
First Nations and Métis Engagement	79.4	82.6
Municipal and Northern Engagement	375.5	375.7
Saskatchewan Municipal Board	1.7	1.6
Public Safety	9.8	57.1
<b>Total Appropriation</b>	<b>477.0</b>	<b>526.5</b>
Capital Asset Acquisitions	(2.2)	(1.9)
Amortization of Capital Assets	2.4	2.4
<b>Total Expense</b>	<b>\$ 477.2</b>	<b>\$ 527.0</b>

Source: Ministry of Government Relations 2013-14 *Annual Report*.

\*The Ministry obtained additional funding through special warrants of \$50.3 million.

This chapter sets out the results of our audit of the Ministry for the year ended March 31, 2014.

## 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2014:

- ▶ The Ministry had effective rules and procedures to safeguard public resources except for the matter described in this chapter
- ▶ The Ministry complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

*The Assessment Management Agency Act*  
*The Assessment Management Agency Regulations*  
*The Cities Act*  
*The Crown Employment Contracts Act*  
*The Department of Rural Development Act*  
*The Department of Urban Affairs Act*  
*The Federal-Provincial Agreements Act*  
*The Financial Administration Act, 1993*  
*The Government Organization Act*  
*The Government Organization Exemption Regulations*

*The Municipal Board Act*  
*The Municipal Grants Act*  
*The Municipal Grants Regulations*  
*The Northern Municipalities Act, 2010*  
*The Provincial Disaster Assistance Program Regulations, 2011*  
*The Public Services Act, 1998*  
*The Purchasing Act, 2004*  
*The Saskatchewan Gaming Corporation Act (part III.01, and III.1)*  
*The Saskatchewan Natural Resources Transfer Agreement (Treaty Land Entitlement) Act*

*The Ministry of Government Relations Regulations*  
*The Indian and Native Affairs Act*  
*The Métis Act*  
*The Municipalities Act*

2002 Gaming Framework Agreement  
 Orders in Council issued pursuant to the above  
 legislation

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of the Ministry's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2013-14 audit, we examined the effectiveness of the Ministry's financial-related controls used to administer the spending listed in **Figure 1**, its revenues, and its contractual obligations. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

Because the Ministry receives significant federal funding for various municipal programs and provides significant grants to municipalities, we paid particular attention to the Ministry's controls for managing grant payments to municipalities. This included assessing its processes for awarding grants, approving grant payments, and monitoring municipalities' compliance with federal and provincial funding agreements. Also, the Ministry provides significant financial assistance to individuals and organizations for provincial disaster claims and expects to receive significant reimbursements from the federal government for a portion of the amount it pays. We examined the Ministry's controls over managing disaster claims and recovering amounts from the federal government, including processes for making and recording significant accounting estimates.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Expectations Documented for Emergency Management Services

We recommended that the Ministry of Government Relations develop criteria for determining when and how much additional compensation should be paid to emergency management services contractors and communicate these criteria to the contractors. (2013 Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

**Status – Implemented**

We recommended that the Ministry of Government Relations clearly document the services it expects to receive from emergency management services contractors, formally communicate those expectations to contractors, and monitor that contractors are performing as expected. (2013 Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

**Status – Implemented**

At March 31, 2014, the Ministry had agreements with 14 emergency management services contractors. During the year, it paid \$86 thousand in additional compensation to contractors. All of these agreements were complete by May 31, 2014.

In 2013-14, the Ministry created and filled 43 full-time term positions within the Ministry to deliver emergency management services instead of using emergency management services contractors. The Ministry set out its expectations in documented job descriptions. Compensation for these positions was determined using Public Service Commission guidance. Consistent with other Ministry employees, the Ministry plans to monitor the performance of these employees starting with the 2014-15 mid-year evaluation.

## 4.2 Regular Review of Estimated Unpaid PDAP Claims

We recommended that the Ministry of Government Relations establish a formal process to regularly review its prior year estimates of amounts owing under the Provincial Disaster Assistance Program. (2013 Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

**Status – Implemented**

In 2013-14, the Ministry implemented a quarterly process to review and adjust its estimates of amounts owing under the Provincial Disaster Assistance Program (PDAP). The process involves reviewing payments made and the most recent information available on previously accrued claims to assess whether the current estimate requires adjustment. The Ministry reviewed its estimates of amounts owing under the PDAP at each quarter-end during 2013-14. Where necessary, it appropriately adjusted the amounts owing in its financial records.

At March 31, 2014, the Ministry estimated that it owed \$72.8 million (2013: \$85.5 million) for unpaid PDAP claims. About \$65 million (2013: \$73 million) of the \$72.8 million related to unpaid PDAP claims for prior years. The actual amounts paid can vary from the estimated amount depending on the final information received.



### 4.3 Estimates of Revenue from the Federal Government for Disaster-Related Costs and Flood Mitigation Supported

We recommended that the Ministry of Government Relations keep clear documentation of the estimation methods, supporting data, and key assumptions it uses in making significant accounting estimates. (2013 Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

**Status – Implemented**

Each year, the Ministry makes significant estimates such as revenues for claims under the Federal Government Disaster Financial Assistance Arrangements. At March 31, 2014, the Ministry's estimated receivable from the federal government was \$210.4 million for the 2007 – 2011 claim years (2013: \$355.5 million for the 2005 – 2011 claim years).

In 2013-14, the Ministry clearly documented its estimation methods, supporting data, and key assumptions and their basis that it used in estimating revenues from the federal government for disaster-related costs and flood mitigation.

### 4.4 Timely Removal of User Access Needed

We recommended that the Ministry of Government Relations document and implement procedures to ensure unneeded user access to its information technology systems and data is removed promptly. (2012 Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

**Status – Partially Implemented**

In 2013-14, the Ministry started to develop new automated notification procedures to help ensure it makes timely requests for the removal of unneeded user access (e.g., prior to the date that staff leave the employment of the Ministry). However, at March 2014, these procedures were not complete or implemented. In 2013-14, we found seven instances where access was not removed promptly (i.e., two to 93 days after last day of employment) (2012-13: three instances removed 32 to 61 days after last day of employment).



## Chapter 11

### Health

#### 1.0 MAIN POINTS

The Ministry of Health (Ministry) and five of its agencies with March 31 year-ends reported in this chapter complied with authorities governing their activities. Each of these agencies had reliable 2014 financial statements. Also, the Ministry and those agencies had effective rules and procedures to safeguard public resources except that the Ministry does not have a capital asset plan. Lack of a capital asset plan increases the risk that the healthcare system may not have the capital assets it needs to deliver the services citizens require.

#### 2.0 INTRODUCTION

The Ministry provides provincial oversight for the healthcare system. To ensure the provision of essential and appropriate programs and services, the Ministry provides leadership on strategic policy, allocates funding, and monitors and enforces standards.

The Ministry administers programs such as the Saskatchewan Medical Care Insurance Plan and the Saskatchewan Prescription Drug Plan. It oversees a healthcare system that includes 12 regional health authorities (RHAs), the Saskatchewan Cancer Agency, Athabasca Health Authority,<sup>1</sup> affiliated healthcare organizations, and health professionals. The Ministry assists RHAs, the Saskatchewan Cancer Agency, and other stakeholders recruit and retain healthcare providers, including nurses and physicians.<sup>2</sup>

#### 2.1 Financial Overview

For the year ended March 31, 2014, the Ministry had revenues of \$14.5 million including \$6.9 million from transfers from the federal government.<sup>3</sup> As reflected in **Figure 1**, Health spent \$4.8 billion to deliver its programs and services.<sup>4</sup> Information about the Ministry's revenues and expenses appears in its annual report.<sup>5</sup>

**Figure 1 – Major Programs and Spending**

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Central Management and Services	\$ 13.2	\$ 11.2
Regional Health Services	3,357.0	3,399.0
Provincial Health Services	224.6	226.6
Medical Services and Medical Education Programs	857.9	827.3

<sup>1</sup> The Athabasca Health Authority operates under an agreement between the province, Canada, and six northern First Nations. The Ministry funds the Authority for acute care expenses.

<sup>2</sup> Ministry of Health, *2013-14 Annual Report*, p. 7.

<sup>3</sup> *Ibid.*, p. 41.

<sup>4</sup> *Ibid.*, p. 39-40.

<sup>5</sup> See [www.health.gov.sk.ca](http://www.health.gov.sk.ca) (25 September 2014).



	Estimates 2013-14	Actual 2013-14
Drug Plan and Extended Benefits	374.8	356.2
Early Childhood Development	11.0	11.0
Provincial Infrastructure Projects	120.6	71.8
<b>Total Appropriation</b>	<b>4,959.1</b>	<b>4,903.1</b>
Capital Asset Acquisitions	(121.0)	(72.3)
Capital Asset Amortization	3.5	4.1
<b>Total Expense</b>	<b>\$ 4,841.7</b>	<b>\$ 4,834.9</b>

Source: Ministry of Health, 2013-14 Annual Report.

## 2.2 Related Special Purpose Funds and Crown Agencies

At March 31, 2014, the Ministry was responsible for the following special purpose funds and Crown agencies (agencies). We have reported the results of our audits of agencies in blue font in the chapter number identified. We report the results of agencies with a December 31 year-end in our *2014 Report – Volume 1*.

### Year-End March 31

Twelve Regional Health Authorities<sup>6</sup> (Chapters 18, 19, and 25)

eHealth Saskatchewan (Chapter 7)

Health Quality Council

Health Shared Services Saskatchewan (3sHealth)

North Sask. Laundry & Support Services Ltd. (Chapter 15)

Physician Recruitment Agency of Saskatchewan

Saskatchewan Association of Health Organizations Inc. (SAHO)

Saskatchewan Cancer Agency (Chapter 20)

Saskatchewan Health Research Foundation

Saskatchewan Impaired Driver Treatment Centre Board of Governors (Treatment Centre)

### Year-End December 31

3sHealth, Disability Income Plan – C.U.P.E.

3sHealth, Disability Income Plan – S.E.I.U. – West

3sHealth, Disability Income Plan – S.U.N.

3sHealth, Disability Income Plan – General

3sHealth, Core Dental Plan

3sHealth, In-Scope Extended Health/Enhanced Dental Plan

3sHealth, Out-of-Scope Extended Health/Enhanced Dental Plan

3sHealth, Group Life Insurance Plan

3sHealth, Master Trust Combined Investment Fund

At September 30, 2014, we had not completed our audit of the Treatment Centre because the Treatment Centre had not finalized its 2014 financial statements. We will report the results of our audit in a future report.

<sup>6</sup> See Chapter 19 – Regional Health Authorities for a listing of Regional Health Authorities.



### 3.0 AUDIT CONCLUSIONS AND SCOPE

This chapter reports the results of our audits of the Ministry and the remaining five agencies with a March 31 year-end.

**In our opinion, for the year ended March 31, 2014:**

- 1 The Ministry and its five agencies had effective rules and procedures to safeguard public resources except for the matter related to the Ministry described in this chapter
- 2 The Ministry and its five agencies complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

*The Department of Health Act*  
*The Drug Plan Medical Supplies Regulations*  
*The Saskatchewan Assistance Plan*  
*Supplementary Health Benefits Regulations*  
*The Financial Administration Act, 1993*  
*The Government Organization Act*  
*The Health Facilities Licensing Act*  
*The Health Facilities Licensing Regulations*  
*The Mental Health Services Act*  
*The Prescription Drugs Act*  
*The Prescription Drugs Regulations, 1993*  
*The Public Health Act, 1994*  
*The Purchasing Act*  
*The Regional Health Services Act*  
*The Regional Health Services Administration*  
*Regulations*

*The Saskatchewan Medical Care Insurance Act*  
*The Saskatchewan Medical Care Insurance*  
*Beneficiary and Administration Regulations*  
*The Medical Care Insurance Payment Regulations,*  
*1994*  
*The Medical Care Insurance Peer Review*  
*Regulations*  
*The Tabling of Documents Act, 1991*  
*The Crown Corporations Act, 1993*  
*The Health Quality Council Act*  
*An Act to Incorporate Saskatchewan Health-Care*  
*Association*  
*The Saskatchewan Health Research Foundation*  
*Act*  
*Orders in Council issued pursuant to the above*  
*legislation*

- 3 The financial statements of each of the five agencies reported in this chapter are reliable

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of the Ministry's and its agencies' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of the Ministry's and its agencies' financial-related controls to administer revenue and spending and to keep reliable financial records and prepare reliable financial reports.

We also examined the Ministry's significant programs including medical services, drug plan and extended benefits, provincial health services, capital planning, and its processes to supervise regional health authorities.

### 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.



## 4.1 Capital Asset Plan Not in Place

We recommended that the Ministry of Health develop a capital asset plan to help ensure that it can carry out its strategic plan. (2003 Report – Volume 3; Public Accounts Committee agreement June 30, 2004)

**Status – Not Implemented**

Saskatchewan's healthcare system uses over \$1.4 billion of capital assets (e.g., buildings and equipment) to deliver healthcare in the province.

The Ministry does not have a capital asset plan. Management has indicated that the Ministry is in the process of developing a multi-year capital asset plan. It expects to complete the plan by June 2016.

Lack of a capital asset plan increases the risk that the healthcare system may not have the capital assets it needs to deliver the services citizens require, or that it may have idle capital assets that it could use at some other location. A long-term capital asset plan for the Ministry would also help RHAs prepare their own capital asset plans.

## 4.2 Accounting for Shared Ownership Agreements and Certain Funding for Debt Repayment Under Review

We recommended that the Ministry of Health follow Canadian generally accepted accounting principles for the public sector when accounting for assets constructed under shared ownership agreements. (2013 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

**Status – Under Review**

We recommended that the Ministry of Health follow Canadian generally accepted accounting principles for the public sector to record, in its financial records, funding provided to regional health authorities for the repayment of principal and interest due on loans and the related liabilities. (2013 Report – Volume 2; Public Accounts Committee review on September 9, 2014)

**Status – Under Review**

Since our Office made these recommendations, in March of 2014 the Government, appropriately, decided to change its financial reporting focus to the Summary Financial Statements. Because the Ministry and regional health authorities (RHAs) are both part of the Government, how the Ministry accounts for the above items does not affect the accuracy of the Government's Summary Financial Statements.<sup>7</sup>

<sup>7</sup> That is, financial activities between government entities are eliminated in preparation of the Summary Financial Statements.

As described in our *2013 Report – Volume 2*, Chapter 11, in our view, the Ministry has not been following Canadian generally accepted accounting principles for the public sector (GAAP) in two areas:

- ▶ When accounting for assets constructed under contractual agreements for certain capital projects with seven RHAs. The Ministry refers to these as “shared ownership agreements.”
- ▶ When accounting for funding provided to RHAs to enable them to repay the principal and interest due on certain long-term debt. Our Office refers to these as “constructive obligations.”

We have raised similar concerns for the Ministry of Education (for both areas) and for the Ministry of Advanced Education (for accounting for constructive obligations).

The Standing Committee on Public Accounts (PAC) has discussed the accounting for these areas at various hearings.<sup>8</sup> On January 13, 2014, in its discussion of these areas, PAC made the following motion: “Recognizing the difference of professional interpretations the Standing Committee on Public Accounts recommends that the Minister of Finance have his officials continue to examine this issue and discuss it further with the Provincial Auditor.” At September 30, 2014, the Ministry of Finance was continuing to evaluate the accounting for these matters and plans to meet with our Office.

### 4.3 Processes for Awarding Contracts for Services are Appropriate

We recommended that the Ministry of Health comply with the Financial Administration Manual when entering into contracts for services exceeding the limits prescribed in the Financial Administration Manual. (2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

**Status – Implemented**

We recommended that the Ministry of Health document its due diligence and consideration of alternatives when awarding contracts. (2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

**Status – Implemented**

The Ministry complied with the *Financial Administration Manual* (Manual) when entering into contracts for services exceeding the limits prescribed by the Manual. The Ministry also documented its due diligence and consideration of alternatives when awarding contracts.

<sup>8</sup> January 13, 2014 hearing on Ministry of Finance; March 26, 2014 hearing on Regional Health Authorities; May 14, 2014 hearing on Ministry of Advanced Education; June 17, 2014 hearing on the Ministry of Education; September 9, 2014 hearing on Ministry of Health.



## 4.4 Verifying Medical Services Received by Patients

We recommended that the Ministry of Health implement a process to verify that patients received the medical services that doctors billed the Ministry for payment. (2011 Report – Volume 2; Public Accounts agreement October 4, 2012)

**Status – Implemented**

The Ministry pays about \$488 million annually to doctors for medical services on a “fee-for-service” basis. During 2013-14, the Ministry implemented a process for verifying medical services. This process involved confirming with patients that they have received the services doctors claimed to have provided them. In the confirmation process, no patients indicated they did not receive the services doctors had claimed to have provided.

## 4.5 Processes for Removal of User Access Followed

We recommended that the Ministry of Health follow its processes to remove unneeded user access to its IT systems and data promptly. (2013 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

**Status – Implemented**

The Ministry followed its processes to remove unneeded user access to its IT systems and data.

## 4.6 Business Continuity Planning Complete

We recommended that the Ministry of Health prepare a complete business continuity plan. (2005 Report – Volume 3; Public Accounts Committee agreement March 9, 2006)

**Status – Implemented**

During the year, the Ministry completed testing of its business continuity plan.<sup>9</sup> It regularly updates the BCP as changes are determined necessary. The Ministry also communicated its business continuity requirements to its IT service provider (eHealth Saskatchewan).

<sup>9</sup> Business Continuity Plan (BCP) – Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.



## Chapter 12

### Highways and Infrastructure

#### 1.0 MAIN POINTS

During 2013-14, the Ministry of Highways and Infrastructure (Highways) and the Transportation Partnerships Fund (Fund) complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2013-14 financial statements of the Fund are reliable.

Highways had effective rules and procedures to safeguard public resources except that staff did not always follow established procedures to promptly remove access of former employees to its computer systems and data, and process the final timecards of employees who have left employment with Highways. Also, its agreement with the Information Technology Division of the Ministry of Central Services does not address Highways' disaster recovery and security needs.

We also assessed Highways' processes to recommend the preferred route for the City of Regina South Bypass. We found its processes reasonable.

#### 2.0 INTRODUCTION

The mission of Highways is "to optimize the role of transportation as it relates to the economic and social development of Saskatchewan."<sup>1</sup> It manages and provides for the future development of an integrated provincial transportation system.<sup>2</sup>

Highways is responsible for managing the provincial transportation system which includes more than 26,000 km of highways, 752 bridges, 17 airports in northern Saskatchewan, and 12 ferries.<sup>3</sup> As of March 31, 2014, this infrastructure had a net book value of about \$2.8 billion.

Also, Highways is responsible for the Transportation Partnerships Fund. The Fund's financial statements are tabled separately in the Legislative Assembly.

#### 2.1 Financial Overview

In 2013-14, Highways had revenues of \$27.1 million including transfers from the federal government of \$23.0 million.<sup>4</sup> In 2013-14, the Ministry had expenses of \$430.7 million (2012-13: \$433.0 million) and spent \$349.3 million (2012-13: \$307.6) primarily on building, restoring, and rehabilitating highways, bridges, and ferries. **Figure 1** compares estimates to actual spending by program.

<sup>1</sup> Ministry of Highways and Infrastructure, 2013-14 *Annual Report*, p.3.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid., p. 15.

Figure 1 – Major Programs and Spending

	Estimates 2013-14 <sup>a</sup>	Actual 2013-14
	(in millions)	
Central Management and Services <sup>b</sup>	\$ 18.4	\$ 17.3
Strategic Municipal Infrastructure	36.0	37.6
Operation of Transportation System <sup>b</sup>	85.9	100.1
Preservation of Transportation System	141.7	139.0
Transportation Policy and Programs	3.3	3.5
Capital Asset Amortization	138.1	133.2
<b>Total Vote 16 Expense</b>	<b>\$ 423.3</b>	<b>\$ 430.7</b>
Capital Asset Acquisitions – Vote 16	10.0	9.8
Capital Asset Acquisitions – Vote 17 <sup>c</sup>	364.3	339.5
<b>Total Capital Asset Acquisitions</b>	<b>\$ 374.3</b>	<b>\$ 349.3</b>

Source: Saskatchewan Provincial Budget 13-14 Estimates (votes 16 and 17); 2013-14 Annual Report Ministry of Highways and Infrastructure.

<sup>a</sup> During 2013-14, Highways received a budget increase through a special warrant of \$12.6 million.

<sup>b</sup> The Estimates amount presented excludes capital asset acquisitions.

<sup>c</sup> The Ministry is allowed to carry over unutilized appropriations to the following year. It carried over \$83.5 million of unutilized 2012-13 appropriation to 2013-14.

Highways' annual report sets out and explains significant differences between actual and estimated revenues and expenses.

### 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2014:

- 1 Highways had effective rules and procedures to safeguard public resources except for the matters reported in this chapter
- 2 Highways and the Transportation Partnerships Fund complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

*The Highways and Transportation Act, 1997*  
*The Financial Administration Act, 1993*  
*The Government Organization Act*  
*The Ministry of Highways and Infrastructure Regulations, 2007*  
*The Purchasing Act, 2004 and Regulations*  
*The Railway Line (Short Line) Financial Assistance Regulations*  
 Orders in Council issued pursuant to the above legislation

- 3 The Transportation Partnerships Fund had reliable financial statements

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of Highways' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Our audit included examining the effectiveness of Highways' financial-related controls used to administer the spending listed in **Figure 1**, its revenues, and its infrastructure

and other assets. Also, we examined the effectiveness of the controls it used to keep reliable financial records, prepare reliable financial reports, and safeguard the transportation system. Because Highways relies on its computer systems to manage its contracts and the transportation system, we assessed key service-level agreements, change management processes, and user access controls related to those systems.

Because of Highways' extensive use of contractors in the maintenance and construction of its highways and bridges, we paid particular attention to its controls over managing contracts. This included assessing its processes for awarding, approving, and adjusting contracts; retaining appropriate security and holdbacks; approving estimates of costs of contracts; obtaining appropriate clearance from the Workers' Compensation Board and tax authorities before making final payments; and tracking its related contractual obligations. We also assessed the reasonableness of Highways' processes to recommend the preferred route for the City of Regina South Bypass.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Revised Service-Level Agreement with ITD Needed

We recommended that the Ministry of Highways and Infrastructure sign an adequate agreement with the Information Technology Office that addresses the Ministry's disaster recovery and security needs over its computer systems. (2009 Report – Volume 3; Public Accounts Committee agreement April 21, 2010)

**Status** – Partially Implemented

Neither Highways' agreement<sup>5</sup> nor its draft memorandum of understanding<sup>6</sup> (MOU) with the Information Technology Division of the Ministry of Central Services (ITD) (formerly called the Information Technology Office) adequately address Highways' disaster recovery and security needs. For example, the MOU does not define Highways' most critical IT systems that support its essential business processes or set out how quickly ITD is expected to recover these systems in the event of a disaster. Also, during 2013-14, this draft MOU was not updated or finalized.

Although Highways officials met with ITD officials during the year to discuss services provided and issues, Highways did not receive sufficient information about the quality of ITD's security controls or ITD's plans to handle disasters that would affect Highways' computer systems or data.

As a result, Highways does not know whether ITD can restore Highways' systems and data when needed in the event of a disaster or whether ITD has kept Highways' data secure.

<sup>5</sup> Agreement was signed in October 2008.

<sup>6</sup> Memorandum of understanding was drafted in 2012-13.



## 4.2 Timely Removal of User Access Needed

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We recommended that the Ministry of Highways and Infrastructure follow its established procedures for removing user access to its computer systems and data. (2009 Report – Volume 3; Public Accounts Committee agreement April 21, 2010)

**Status – Partially Implemented**

Although Highways has established procedures to remove user access to its computer systems and data promptly, staff did not always follow them. For 7 of the 13 individuals we examined, user access was not removed promptly (i.e., access removal took place between 15 to 137 days after last day of employment).

As a result, Highways' data and systems are vulnerable to inappropriate access.

## 4.3 Compliance with Procedures for Processing Final Timecards Needed

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We recommended that the Ministry of Highways and Infrastructure follow its established procedures for processing final timecards of employees who leave the employment of the Ministry. (2012 Report – Volume 2; Public Accounts Committee agreement April 16, 2014)

**Status – Partially Implemented**

Although Public Service Commission has established procedures for processing the final timecards of individuals who leave the employ of ministries, Highways continues to not always follow them.

During 2013-14, 10 individuals who left the employ of Highways did not have their final timecard processed appropriately and Highways overpaid them by about \$12,000 in total.

When overpayments of salaries occur, Highways tries to recover them. It acknowledges recovery can be difficult. At March 31, 2014, Highways had not collected approximately \$114,000 of payroll overpayments.

Not following the established procedures for processing final timecards increases the risk of making salary overpayments to employees for benefits not earned (e.g., vacation leave entitlements).

## 4.4 Processes to Select Preferred Option for Location of Regina Bypass

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Using the criteria set out in **Figure 2**, we assessed Highways' processes for selecting the preferred routes and types of interchanges for the City of Regina South Bypass



(referred to as the Regina Bypass in this section). The Regina Bypass begins on Highway 11 northwest of Regina and runs south past the existing Highway 1 to Highway 1 east of Regina. In our assessment, we did not question whether Highways selected the best route or type of interchanges for the Bypass; rather, we focused on processes. Use of appropriate processes help ensure decision makers receive sufficient and timely information to enable informed decision making.

**Figure 2—Audit Criteria**

1. Sought input from the public and key stakeholders about the preferred location of the bypass prior to proceeding to construction phase
2. Established criteria for evaluating options
3. Used independent professionals to help evaluate options that considered key factors (e.g., traffic congestion, safety, economic and environmental impacts, costs.)
4. Documented consideration of alternative options for bypass location and design and made them public
5. Allowed the public to comment and considered public feedback
6. Made public its final decision on preferred location, providing reasons for its selection

Source: Adapted from our 2012 Report – Volume 2, Chapter 23 (Saskatoon Regional Health Authority Selection of Site for Children's Hospital of Saskatchewan).

We found that Highways' processes to select the preferred routes and types of interchanges were reasonable.

Highways has been considering the need for a Regina Bypass since the late 1990's. Since 2012, Highways has more actively planned for a Regina Bypass. It has engaged various consultants (professional engineering firms) to carry out numerous studies to assist it in deciding the need for a Regina Bypass, identifying options for routes and interchange designs, and then later evaluating the options.

We found that the Ministry actively sought input from the public and stakeholders throughout the process. It has held numerous public open houses (e.g., November 28, 2013 South Bypass open house) or required its consultants to obtain public and stakeholder input through stakeholder meetings and public open houses. Also, it either directly or through its consultants involved the City of Regina and the affected municipalities (e.g., Rural Municipalities of Edenwold and Sherwood) at various stages (e.g., their participation on a Steering Committee and Technical Project Committee in its 2012 Bypass Location Review). It used its website<sup>7</sup> to keep the public informed of the timing and results of public consultations and of its key decisions (e.g., preferred route and map). Prior to making its final decision on the preferred route, it allowed for and considered public comment.

With the assistance of its consultants, Highways set evaluation criteria (see **Figure 3**) and made them public.<sup>8</sup> It used them to evaluate and score the various alternate routes and interchange designs. When determining the alternate routes to study in more depth, Highways narrowed down the possibilities according to those that received the highest scores; it used its website to make the scores public.<sup>9</sup> It then used the evaluation criteria to further evaluate those options and select a preferred route and interchange design. We did not find evidence of undue influence of third parties (e.g., landowners) during this selection process.

<sup>7</sup> [www.highways.gov.sk.ca/Reg\\_bypass/consultation](http://www.highways.gov.sk.ca/Reg_bypass/consultation) (24 October 2014).

<sup>8</sup> [www.highways.gov.sk.ca/adx/asp/adxGetMedia.aspx?DocID=3117.1495.81.1.Documents&MediaID=7602&Filename=Pages+from+South+East+Regina+Bypass+-+Open+House+2+-+Aug+15+%28Concept+options%29.pdf](http://www.highways.gov.sk.ca/adx/asp/adxGetMedia.aspx?DocID=3117.1495.81.1.Documents&MediaID=7602&Filename=Pages+from+South+East+Regina+Bypass+-+Open+House+2+-+Aug+15+%28Concept+options%29.pdf) (24 October 2014).

<sup>9</sup> [www.highways.gov.sk.ca/adx/asp/adxGetMedia.aspx?DocID=3117.1495.81.1.Documents&MediaID=7603&Filename=Pages+from+South+East+Regina+Bypass+-+Open+House+2+-+Aug+15+%28Preferred+Option+next+steps%29.pdf](http://www.highways.gov.sk.ca/adx/asp/adxGetMedia.aspx?DocID=3117.1495.81.1.Documents&MediaID=7603&Filename=Pages+from+South+East+Regina+Bypass+-+Open+House+2+-+Aug+15+%28Preferred+Option+next+steps%29.pdf) (24 October 2014).

**Figure 3—Ministry of Highways and Infrastructure Evaluation Criteria**

Evaluation Criteria	Description
TransCanada Highway Functionality	Maintains high speed, free-flow conditions for the westbound to southbound movement, and the northbound to eastbound movement – the future TransCanada Highway movements
Safety & Traffic Operations	Provides a safe and consistent design that will be familiar and easy to negotiate
Potential Phasing Opportunities	Provides a stageable solution at Victoria Ave and Tower Road intersection if an interchange is needed in the future. Consideration for whether the design can be integrated into a future Northeast Bypass
Access to Adjacent Development	Limits the amount of development of land parcels that are isolated or will have poor access
Property Impacts	Consideration for the amount of land that will have to be purchased and the impact on existing homes and businesses
Constructability	Minimizes disruption to existing traffic flows, and allows for existing Highway 1 infrastructure to be used during construction
Noise Impacts	Minimizes traffic noise for existing residents
Environmental impacts	Avoids any environmentally-sensitive areas, including areas with high water table
Utility/railway Impacts	Minimizes impacts to railways and utilities
Economic Development Potential	Increases the development potential for adjacent lands
Right-of-Way	Minimizes the total land required for the design
Construction Cost	Total construction cost estimate

Source: Ministry of Highways and Infrastructure.

Highways' numerous studies document its consideration and analysis of various options. In April 2014, Highways announced that it had finalized its route for the Regina Bypass and had developed a plan for the new bypass around the City of Regina. The proposed twinned highway begins on Highway 11 northwest of Regina and runs south past the existing Highway 1 to Highway 1 east of Regina. In May 2014, the Government of Saskatchewan announced that the Government of Canada would invest up to \$200 million as part of a public-private partnership (P3) to support the construction of the Regina Bypass. In August 2014, it made public the proposed route (map) of the Bypass. It also noted that the cost of the Bypass will be determined as part of the P3 competitive bidding process.

On its website, it provided the public with the brief reason, set out in **Figure 4**, as to why it selected the preferred location. The Ministry may wish to consider providing a more robust public explanation for the basis of its selection.

**Figure 4—Ministry of Highways Frequently Asked Question, Re: Bypass Selection Decision**

Why was the current route alignment chosen, specifically from Highway 1 to Highway 6?

Many alternatives were considered. The most economical and efficient option was chosen. For example, options slightly further east like Gravel Pit Road or the Pilot Butte Access Road are either too close to other planned overpasses or don't leave room for a "system" overpass. An option like a bypass starting at Balgonie would require several additional kilometres of road and more rail overpasses. Overpasses would still be required on Highway 1 east because a significant percentage of the traffic is generated by commuters from the towns east of the city.

Source: [www.highways.gov.sk.ca/Reg\\_Bypass\\_FAQ](http://www.highways.gov.sk.ca/Reg_Bypass_FAQ) (23 October 2014).

## Chapter 13

### Justice

#### 1.0 MAIN POINTS

This chapter reports the results of our audit of the Ministry of Justice (Ministry), its agencies, and special purpose funds for the year ended March 31, 2014.

The Ministry, its agencies, and special purpose funds complied with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2013-14 financial statements of its agencies and special purpose funds are reliable.

The Ministry and its agencies had effective rules and procedures to safeguard public resources except that the Ministry needs to adequately monitor the security of its information technology (IT) systems and data.

#### 2.0 INTRODUCTION

The Ministry's mandate is to provide a fair justice system that upholds the law, protects the rights of all individuals in Saskatchewan, promotes safe and secure communities, and provides legal and justice policy advice to the Government.<sup>1</sup>

#### 2.1 Related Special Purpose Funds and Crown Agencies

The Ministry was responsible for the following special purpose funds and Crown agencies each with a March 31 year-end:

##### Special Purpose Funds (Funds)

Correctional Facilities Industries Revolving Fund  
Criminal Property Forfeiture Fund  
Law Reform Commission of Saskatchewan  
Office of Residential Tenancies – Director's Trust Account  
Provincial Mediation Board Trust Accounts  
Queen's Printer Revolving Fund  
Victims' Fund

##### Crown Agencies (Agencies)

Financial and Consumer Affairs Authority of Saskatchewan  
Public Guardian and Trustee of Saskatchewan  
Saskatchewan Legal Aid Commission

<sup>1</sup> Ministry of Justice, 2013-14 Annual Report, p. 5.



## 2.2 Financial Overview

For the year ended March 31, 2014, the Ministry spent \$550.2 million on its programs. For 2013-14, the Ministry also had revenues totalling \$79.1 million comprised primarily of fines, fees, and transfers from federal and municipal governments. Information about the Ministry's revenues and expenditures appears in its 2013-14 annual report.<sup>2</sup>

Figure 1—Major Programs and Spending

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Central Management & Services	\$ 46.7	\$ 46.4
Courts and Civil Justice	54.5	60.0
Legal and Policy Services	32.3	33.1
Community Safety Outcomes	13.3	13.9
Community Justice	20.9	20.4
Board and Commissions	27.4	27.4
Custody, Supervision and Rehabilitation Services	157.0	159.2
Policing	187.1	185.6
Saskatchewan Police Commission	1.5	1.2
Major Capital Projects	45.4	30.5
<b>Total Appropriation</b>	<b>586.1</b>	<b>577.7</b>
Capital Asset Acquisitions	(45.4)	(29.6)
Capital Asset Amortization	1.3	2.1
<b>Total Expense</b>	<b>\$ 542.0</b>	<b>\$ 550.2</b>

Source: Ministry of Justice, 2013-14 Annual Report, p. 27.

## 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2014:

- ▶ The Ministry of Justice and its agencies had effective rules and procedures to safeguard public resources except as described in this chapter
- ▶ The Ministry of Justice, its agencies, and its funds complied with the authorities, listed in Exhibit 5.1, governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- ▶ The Ministry's agencies and funds had reliable financial statements

<sup>2</sup> See [www.justice.gov.sk.ca/justice-annual-report-2013-14](http://www.justice.gov.sk.ca/justice-annual-report-2013-14) (3 October 2014).



We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of controls at the Ministry and its agencies. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of the Ministry's and its agencies' financial-related controls to administer their significant programs. We also examined the Ministry's controls related to courts and civil justice, adult corrections, young offender programs, and policing and community safety.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Better Monitoring of IT Needed

We recommended that the Ministry of Justice (formerly the Ministry of Justice and the Attorney General) adequately monitor the security of its information technology systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement February 2, 2010)

#### **Status – Not Implemented**

The Ministry of Central Services – Information Technology Division (ITD) is a custodian for the Ministry's information systems and data. ITD hosts a number of computer systems that are critical to the Ministry's operations. For example, ITD hosts systems that contain data about fines, inmates, and offenders. This data is used to track fines issued and paid, court appearances, sentence lengths and release dates, and offender rehabilitation. The Ministry's partners, such as the police, also use this data to help uphold the law.

During the year, consistent with prior years, the Ministry received standard reports from ITD. However, these reports continue to not contain sufficient information to enable the Ministry to assess the effectiveness of ITD's security controls or assess the potential impact to the Ministry's systems and data in the case of a disaster.

The Ministry must ensure it obtains adequate information from ITD about its critical computer systems and data, and takes prompt action to address any significant deficiencies identified. This information may include whether ITD applies current security updates (i.e., patches) in a timely manner to key servers and operating systems and properly restricts access to key servers. Documentation of critical systems and data, their key risks, and existing or required controls (including any IT and non-IT controls at the Ministry) may help the Ministry determine what information it requires to monitor the security of its systems and data.



Without sufficient information, the Ministry cannot know if ITD is addressing its security needs and whether ITD is keeping its computer systems and data secure. If this information is not adequately secured, the Ministry risks unauthorized access to the system or unavailability of the system when needed. For example, unauthorized access could result in possible wrongful release of inmates, unauthorized changes to fines issued or paid (i.e., fraud), or alteration of sentence information such as release dates of inmates or offender data leading to ineffective monitoring of offenders. Unauthorized access could also result in unauthorized disclosure of sensitive data (e.g., young offender data, which is protected by federal legislation).

As in prior years, the Ministry did not consistently follow its processes for promptly removing user access to its computer systems from individuals who are no longer in its employment. In 2013-14, we found 13 out of 19 individuals tested did not have their access removed promptly. Access for these individuals was removed 4 to 157 days after their last day of employment.

Not removing access of individuals who are no longer in its employ increases the risk of inappropriate access to the Ministry's computer systems and data.

## 4.2 Business Continuity Plan Completed

We recommended that the Ministry of Justice complete and implement its business continuity plan. (2005 Report – Volume 3; Public Accounts Committee agreement June 25, 2007)

**Status – Implemented**

The Ministry has a business continuity and pandemic plan to support the resumption of its essential services (e.g. critical and vital services). The plan identifies its essential services and the roles and responsibilities of management. The Ministry also performs an annual review and testing to ensure the plan is up to date, understood and usable. Also, the Ministry communicated its disaster recovery needs to ITD.

## 4.3 Payroll Policies and Procedures Followed

We recommended that the Ministry of Justice (formerly Ministry of Corrections, Public Safety, and Policing) supervise its employees to ensure they follow the Ministry's policies and procedures for paying amounts owed to employees. (2010 Report – Volume 1; Public Accounts Committee agreement May 11, 2011)

**Status – Implemented**

During our audit, we found that all of the employee timecards that we tested were properly approved.

## 5.0 EXHIBIT

### 5.1 Legislation—Summary of Relevant Authorities

#### Justice:

*The Administration of Estates Act*  
*The Administration of Estates Regulations*  
*The Correctional Services Act*  
*The Correctional Services Trust Account Regulations*  
*The Department of Justice Act*  
*The Community Justice Programs Regulations*  
*The Enforcement of Maintenance Orders Act, 1997*  
*The Enforcement of Maintenance Orders Regulations, 2009*  
*The Financial Administration Act, 1993*  
*The Government Organization Act*  
*The Police Act, 1990*  
*The Police Regulations*  
*The Provincial Court Act, 1998*  
*The Provincial Court Compensation Regulations*  
*The Public Service Act, 1998*  
*The Purchasing Act, 2004*  
*The Queen's Bench Act, 1998*  
*The Queen's Bench Regulations*  
*The Summary Offences Procedures Act, 1990*  
*The Fine Option Program Regulations, 1991*  
*The Summary Offences Procedure Regulations, 1991*  
*The Tabling of Documents Act, 1991*  
*The Victims of Crime Act, 1995*  
*The Victims of Crime Regulations, 1997*  
*The Youth Justice Administration Act*  
 Orders in Council issued pursuant to the above legislation

#### Correctional Facilities Industries Revolving Fund:

*The Correctional Services Act*  
*The Financial Administration Act, 1993*  
 Orders in Council issued pursuant to the above legislation

#### Criminal Property Forfeiture Fund:

*The Seizure of Criminal Property Act, 2009*  
*The Seizure of Criminal Property Regulations, 2009*  
*The Financial Administration Act, 1993*  
*The Tabling of Documents Act, 1991*  
 Orders in Council issued pursuant to the above legislation

#### Financial and Consumer Affairs Authority of

##### Saskatchewan:

*The Cemeteries Act, 1999*  
*The Collection Agents Act*  
*The Consumer Protection Act*  
*The Credit Union Act, 1995*  
*The Credit Union Act, 1998*  
*The Direct Sellers Act*  
*The Financial and Consumer Affairs Authority of Saskatchewan Act*  
*The Motor Dealers Act*  
*The Mortgage Brokers and Mortgage Administrators Act*  
*The Payday Loans Act*  
*The Pension Benefits Act, 1992*  
*The Saskatchewan Insurance Act*  
*The Securities Act, 1988*  
*The Trust and Loan Corporations Act, 1997*  
*The Tabling of Documents Act, 1991*  
 Orders in Council issued pursuant to the above legislation

#### Law Reform Commission of Saskatchewan:

*The Law Reform Commission Act*  
 Orders in Council issued pursuant to the above legislation

#### Office of Residential Tenancies – Director's Trust

##### Account:

*The Financial Administration Act, 1993*  
*The Residential Tenancies Act, 2006*  
*The Tabling of Documents Act, 1991*  
 Orders in Council issued pursuant to the above legislation

#### Provincial Mediation Board Trust Accounts:

*The Provincial Mediation Board Act*  
*Bankruptcy and Insolvency Act, Part X only (Canada)*  
*Orderly Payments of Debts Regulations (Canada)*  
*Bankruptcy and Insolvency General Rules (Canada)*  
*The Tabling of Documents Act, 1991*  
*The Tax Enforcement Act*  
*The Financial Administration Act, 1993*  
 Orders in Council issued pursuant to the above legislation

#### Public Guardian and Trustee of Saskatchewan:

*The Administration of Estates Act*  
*The Administration of Estates Regulations*  
*The Adult Guardianship and Co-decision-making Act*  
*The Adult Guardianship and Co-decision-making Regulations*  
*The Children's Law Act, 1997*  
*The Dependant's Relief Act, 1996*  
*The Missing Persons and Presumption of Death Act*  
*The Missing Persons and Presumption of Death Regulations*  
*The Pension Benefits Act, 1992*  
*The Pension Benefits Regulations, 1993*  
*Pension Benefits Standards Regulations, 1985 (Canada)*  
*The Public Guardian and Trustee Act*  
*The Public Guardian and Trustee Regulations*  
*The Trustee Act, 2009*  
*The Tabling of Documents Act, 1991*  
 Orders in Council issued pursuant to the above legislation

#### Queen's Printer Revolving Fund:

*The Queen's Printer Act*  
*The Queen's Printer Fees Regulations, 2004*  
*The Purchasing Act, 2004*  
*The Tabling of Documents Act, 1991*  
*The Financial Administration Act, 1993*  
 Orders in Council issued pursuant to the above legislation

#### Saskatchewan Legal Aid Commission:

*The Legal Aid Act*  
*The Legal Aid Regulations, 1995*  
*The Financial Administration Act, 1993*  
 Orders in Council issued pursuant to the above legislation

#### Victims' Fund:

*The Victims of Crime Act, 1995*  
*The Victims of Crime Regulations, 1997*  
*Criminal Code (s.737 Victims Surcharge) (Canada)*  
 Orders in Council issued pursuant to the above legislation





## Chapter 14

### Labour Relations and Workplace Safety

#### 1.0 MAIN POINTS

The Ministry of Labour Relations and Workplace Safety (Ministry) complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. It had effective rules and procedures to safeguard public resources except that it needs to consistently follow its established procedures for promptly removing user access to its computer systems and data for individuals who no longer work for the Ministry.

#### 2.0 INTRODUCTION

The Ministry is responsible for enforcing and promoting awareness of labour standards and occupational health and safety. The Ministry also provides mediation and conciliation services to help resolve workplace disputes, as well as advocacy services on behalf of injured workers.<sup>1</sup>

As of March 31, 2014, the Ministry had 151 full-time equivalent positions in five divisions (i.e., Central Services, Labour Relations and Mediation, Labour Standards, Office of the Workers' Advocate, and Occupational Health and Safety).<sup>2</sup>

#### 2.1 Financial Overview

As shown in **Figure 1**, in 2013-14, the Ministry spent \$17.6 million on its programs. Also, in 2013-14, the Ministry had revenues of \$12.0 million, including \$11.7 million from the Workers' Compensation Board under *The Occupational Health and Safety Act, 1993* primarily for the costs of the Ministry's industrial safety program. Details of the Ministry's revenue and expenses are included in its annual report (see [www.lrws.gov.sk.ca](http://www.lrws.gov.sk.ca)).

<sup>1</sup> Ministry of Labour Relations and Workplace Safety, *13-14 Annual Report*, p 3.

<sup>2</sup> Ibid.

Figure 1—Major Programs and Spending

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Central Management and Services	\$ 4.7	\$ 3.7
Occupational Health and Safety	8.5	8.6
Labour Standards	2.7	2.8
Labour Relations Board	1.0	0.9
Labour Relations and Mediation	0.8	0.7
Workers' Advocate	0.7	0.7
<b>Total Appropriation</b>	<b>18.4</b>	<b>17.4</b>
Capital Asset Acquisitions	0.3	0.2
Amortization of Capital Assets	0.1	0.1
<b>Total Expenses</b>	<b>\$ 18.8</b>	<b>\$ 17.6</b>

Source: Ministry of Labour Relations and Workplace Safety, 13-14 Annual Report.

### 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2014:

- 1 The Ministry had effective rules and procedures to safeguard public resources except for the matter described in this chapter
- 2 The Ministry complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

*The Financial Administration Act, 1993*

*The Government Organization Act*

*The Human Resources, Labour and Employment Act*

*The Labour Standards Act*

*The Labour Standards Regulations, 1995 (sections 29 and 30)*

*The Occupational Health and Safety Act, 1993*

*The Public Service Act, 1998*

*The Public Service Regulations, 1999*

*The Purchasing Act, 2004*

*The Trade Union Act*

*Regulations and forms, Labour Relations Board (section 30)*

*The Conciliation Board Regulations (section 17)*

*The Wages Recovery Act*

*The Crown Employment Contracts Act*

*The Tabling of Documents Act, 1991*

*Orders in Council issued pursuant to the above legislation*

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of the Ministry's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Assessing the Ministry's rules and procedures to safeguard public resources includes assessing the design and effectiveness of the Ministry's control activities related to revenue, payroll, payments, and financial reporting.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline a key observation from our assessments and the resulting recommendation.

### 4.1 Prompt Removal of User Access Needed

Ministry staff did not consistently follow the Ministry's established procedures for removing user access to its computer systems and data for individuals who no longer worked for the Ministry.

We found the Ministry did not request the removal of unneeded user access to its network promptly. For 2 out of 10 employees that we tested, the Ministry did not request removal of access until 37 and 48 days after their last day of employment.

Without prompt removal of unneeded user access, the Ministry cannot ensure that only authorized individuals have access to its computer systems and data. As a result, the Ministry may be exposed to the risk of inappropriate access to its confidential information.

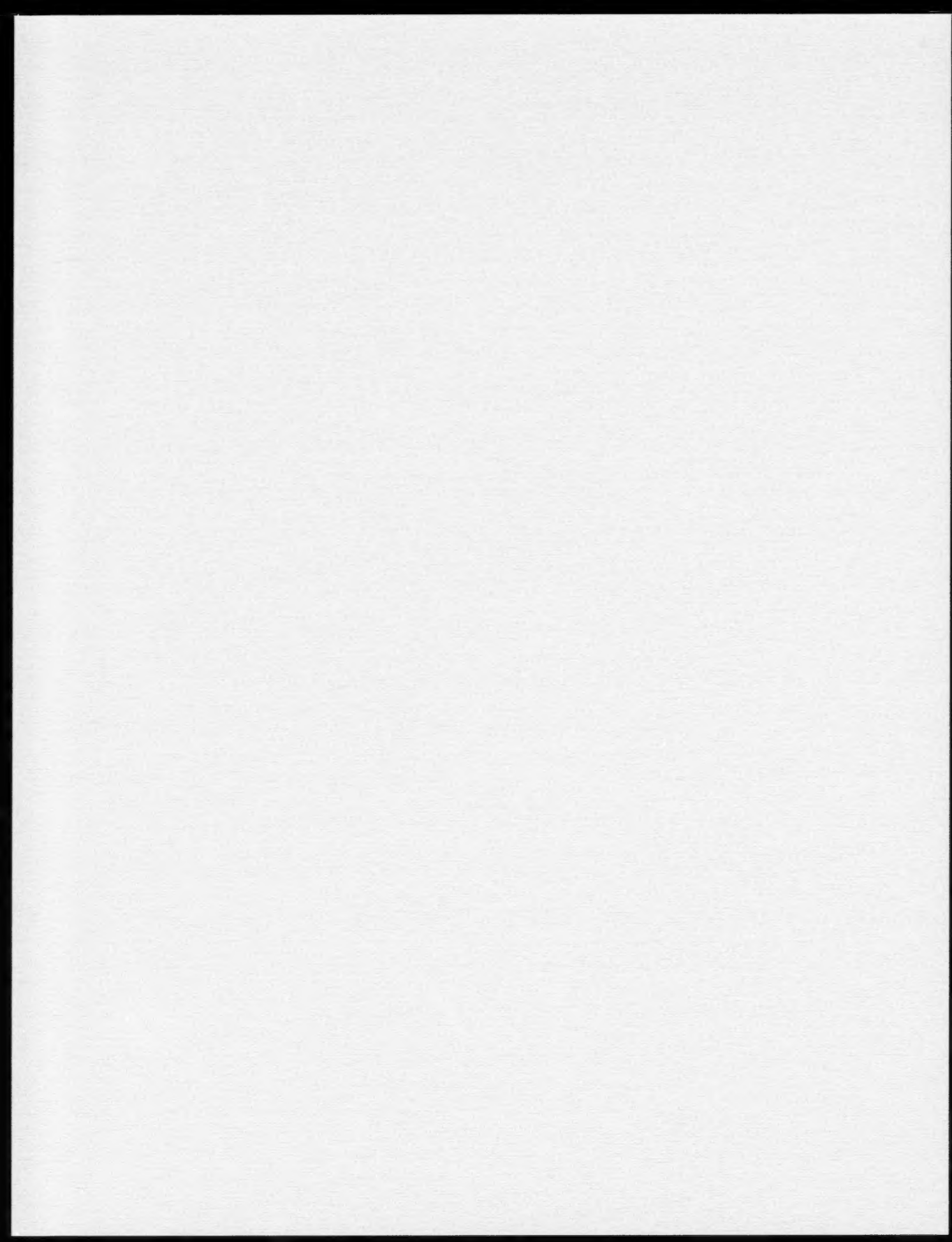
1. We recommend that the Ministry of Labour Relations and Workplace Safety follow its established procedures for prompt removal of unneeded user access to its computer systems and data.

### 4.2 IT Monitoring

We recommended that the Ministry of Labour Relations and Workplace Safety (formerly part of the Ministry of Advanced Education, Employment and Labour) monitor the effectiveness of the Information Technology Division of the Ministry of Central Services (formerly the Information Technology Office) security controls to protect the Ministry's computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – No Longer Relevant

The Ministry of Central Services – Information Technology Division does not host or manage any critical financial-related computer systems for the Ministry of Labour Relations and Workplace Safety. The Ministry has a shared services agreement with the Ministry of Advanced Education that includes the provision of IT services.





## Chapter 15

### North Sask. Laundry & Support Services Ltd.

#### 1.0 MAIN POINTS

This chapter reports the results of our audit of North Sask. Laundry & Support Services Ltd. (NSL) for the year ended March 31, 2014.

NSL's 2013-14 financial statements are reliable. NSL complied with the authorities governing its activities. It had effective rules and procedures to safeguard public resources except that it needs to better control payments to employees for work done and maintain complete and accurate financial records to manage its operations. This chapter notes that during 2013-14, NSL made improvements to its financial-related controls.

#### 2.0 INTRODUCTION

NSL is a wholly-owned subsidiary of four regional health authorities (Prince Albert Parkland, Prairie North, Kelsey Trail, and Mamawetan Churchill River). It provides laundry services to regional health authorities in northern and central Saskatchewan.

For the year ended March 31, 2014, NSL had revenue of \$7.1 million (2013 – \$6.1 million), expenses of \$6.7 million (2013 – \$6.9 million), and an operating surplus of \$0.4 million (2013 – deficit of \$0.8 million). At year-end, NSL held total assets of \$6.4 million (2013 – \$6.0 million) including capital assets of \$3.9 million (2013 – \$4.3 million).

#### 3.0 AUDIT CONCLUSIONS AND SCOPE

Our Office worked with NSL's appointed auditor, MNP LLP, Chartered Accountants, using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>1</sup>

**In our opinion, for the year ended March 31, 2014:**

- ▶ **North Sask. Laundry & Support Services Ltd. had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- ▶ **North Sask. Laundry & Support Services Ltd. complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Business Corporations Act (Saskatchewan)*  
*North Sask. Laundry & Support Services Ltd. Bylaws*

- ▶ **North Sask. Laundry & Support Services Ltd.'s financial statements are reliable**

<sup>1</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).



We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of NSL's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of NSL's financial-related controls used to administer its revenues, expenses, assets, and liabilities. Also, we examined the effectiveness of the controls NSL used to keep reliable financial records and prepare reliable financial statements.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Policies for Controlling Payments to Employees Needed

We recommended that North Sask. Laundry & Support Services Ltd. establish policies and procedures for controlling payments to its employees. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Partially Implemented

NSL has approximately 80 employees. In 2014, NSL spent about \$3.6 million (2013 – \$3.6 million) on payroll.

NSL established policies and procedures for controlling payments to its employees. However, we noted several instances where supervisors did not always leave evidence of their review and approval of time sheets. Time sheets determine employees' earnings and their benefit entitlement (e.g., vacations). Incorrect time sheets could result in incorrect payments to employees and inappropriate benefits.

### 4.2 Accurate and Complete Accounting Records Needed

We recommended that North Sask. Laundry & Support Services Ltd. maintain complete and accurate financial records. (2012 Report – Volume 2; Public Accounts Committee agreement March 12, 2014)

**Status** – Partially Implemented

In May 2013, NSL hired a Chief Financial Officer and, during the year, improved its processes to maintain complete and accurate financial records. However, NSL did not

always document its review of laundry shipping summaries or reasons for differences between laundry shipped and amounts billed.

### 4.3 Bank Balances Reconciled

We recommended that North Sask. Laundry & Support Services Ltd. reconcile its recorded bank balances to the bank's records on a timely basis. (2012 Report – Volume 2; Public Accounts Committee agreement March 12, 2014)

**Status** – Implemented

During the year, NSL reconciled its recorded bank balances to the bank's records on a timely basis.

### 4.4 Journal Vouchers Approved

We recommended that North Sask. Laundry & Support Services Ltd. approve all journal vouchers. (2012 Report – Volume 2; Public Accounts Committee agreement March 12, 2014)

**Status** – Implemented

During the year, we noted NSL followed its journal voucher approval process.

### 4.5 Operations Monitored

We recommended that the Board of Directors regularly monitor operations of North Sask. Laundry & Support Services Ltd. (2012 Report – Volume 2; Public Accounts Committee agreement March 12, 2014)

**Status** – Implemented

The Board met regularly to discuss NSL's operations and management's performance.



## 4.6 Interim Reports Provided

We recommended that North Sask. Laundry & Support Services Ltd. provide its Board of Directors with accurate and timely interim financial reports. (2012 Report – Volume 2; Public Accounts Committee agreement March 12, 2014)

**Status** – Implemented

During the year, we noted that management provided the Board accurate and timely financial information.



## Chapter 16

### Parks, Culture and Sport

#### 1.0 MAIN POINTS

This chapter reports the results of the annual audits of the Ministry of Parks, Culture and Sport, five of its agencies, and two special purpose funds for the year ended March 31, 2014.

The Ministry of Parks, Culture and Sport (PCS), its funds, and agencies, complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2014 financial statements of PCS' agencies and special purpose funds are reliable.

PCS, its agencies, and the Saskatchewan Snowmobile Fund had effective rules and procedures to safeguard public resources except for the following matter related to PCS.

PCS has addressed our past recommendations by renewing its agreement with its lotteries marketing agent and requiring the lotteries marketing agent to make payee lists available to PCS. However, PCS needs to follow its procedures to secure its systems through timely removal of network access. Additionally, PCS needs to record the estimated cost to close and remediate landfills in provincial parks in its accounting records.

#### 2.0 INTRODUCTION

The mandate of the Ministry of Parks, Culture and Sport (PCS) is to support, celebrate, and build pride in Saskatchewan with a focus on tourism enhancement, quality of life, and economic growth. It is responsible for working with diverse groups and communities to enhance the province's cultural, artistic, recreational, and social life; promote excellence in the arts, culture, heritage, and sport; and support a vibrant and growing arts and cultural community. PCS also supports and promotes Saskatchewan tourism, manages Saskatchewan's provincial parks system, conserves ecosystems and cultural resources, and provides recreational and interpretive opportunities for park visitors.<sup>1</sup>

#### 2.1 Financial Overview

For the year ended March 31, 2014, PCS spent \$95.1 million (2013: \$99.8 million) including net capital acquisitions of \$11.4 million (2013: \$9.2 million). Also, PCS recorded revenue of \$11.9 million (2013: \$7.8 million) from lottery licensing fees and agreements with the federal government. In addition, PCS raised revenue and incurred expenses through the Commercial Revolving Fund.<sup>2</sup>

<sup>1</sup> Saskatchewan Provincial Budget: 2013-14 Estimates, p.109.

<sup>2</sup> The Commercial Revolving Fund collects and distributes funds used in the operation of Saskatchewan's provincial parks.



Information about PCS' revenues and expenditures appear in its *2013-14 Annual Report*.<sup>3</sup> PCS' major programs and spending are shown in **Figure 1**.

**Figure 1 – Major Programs and Spending**

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Central Management Services	\$ 11.3	\$ 11.2
Community Initiatives Fund	9.6	8.0
Building Communities	3.2	2.7
Parks	31.1	30.8
Culture	34.6	30.5
Heritage	9.4	9.4
Sport Recreation and Stewardship	4.2	4.0
Capital Commission Operations	9.8	6.9
<b>Total Appropriation</b>	<b>\$ 113.2</b>	<b>\$ 103.5</b>
Capital Asset Acquisitions	(11.8)	(11.4)
Capital Asset Amortization	3.4	2.9
Other	0.0	0.1
<b>Total Expense</b>	<b>\$ 104.8</b>	<b>\$ 95.1</b>

Source: 2013-14 Ministry of Parks, Culture and Sport Annual Report.

## 2.2 Background

At March 31, 2014, PCS was responsible for the following special purpose funds, trusts, and Crown agencies. Each one has a March 31 year-end:

### Special Purpose Funds (Funds)

Commercial Revolving Fund  
Saskatchewan Snowmobile Fund

### Crown Agencies (Agencies)

Creative Saskatchewan  
Community Initiatives Fund  
Saskatchewan Arts Board  
Saskatchewan Heritage Foundation  
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation  
Western Development Museum

We report the results of our audit of Creative Saskatchewan in Chapter 4.

<sup>3</sup> [www.pcs.gov.sk.ca/Annual-Report](http://www.pcs.gov.sk.ca/Annual-Report) (12 September 2014).

### 3.0 AUDIT CONCLUSIONS AND SCOPE

Our Office worked with Virtus Group LLP, the appointed auditor, to carry out the audit of the Community Initiatives Fund and Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (Trust Fund). We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>4</sup>

**In our opinion, for the year ended March 31, 2014:**

- 1 **PCS, its agencies, and the Saskatchewan Snowmobile Fund had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- 2 **PCS and its funds and agencies complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Active Families Benefit Act*  
*The Arts Board Act, 1997*  
*The Culture and Recreation Act, 1993*  
*The Film Employment Tax Credit Act*  
*The Financial Administration Act, 1993*  
*The Government Organization Act*  
*The Heritage Property Act*  
*The Interprovincial Lotteries Act, 1984*  
*The Meewasin Valley Authority Act*  
*The Multiculturalism Act*  
*The Natural Resources Act*  
*The Parks Act*

*The Public Service Act, 1998*  
*The Purchasing Act, 2004*  
*The Regional Parks Act, 1979*  
*The Saskatchewan Gaming Corporation Act (Part IV) – Community Initiatives Fund*  
*The Snowmobile Act*  
*The Tourism Authority Act*  
*The Wakamow Valley Authority Act*  
*The Wanuskewin Heritage Park Act, 1997*  
*The Western Development Museum Act*  
 Regulations and Orders in Council issued pursuant to the above legislation

- 3 **The financial statements of the funds and agencies are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of controls used by PCS, its agencies, and Saskatchewan Snowmobile Fund. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In the 2013-14 audit, we examined the effectiveness of PCS', its agencies', and Saskatchewan Snowmobile Fund's financial-related controls used to administer their spending, revenues and key assets. Also, we examined the effectiveness of the controls used to keep reliable financial records and prepare reliable financial reports. We paid particular attention to the financial controls over operating transfers, controls over key computer systems that PCS relied on to administer its programs (e.g., camping permits), and its oversight of the lottery system.

### 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

<sup>4</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).



## 4.1 Amended Lottery Agreement

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We recommended that when the Ministry of Parks, Culture and Sport renews its agreement with its lotteries marketing agent that the Ministry amend the agreement to require the lotteries marketing agent to make payee lists (e.g., employees and suppliers) available to the Ministry. (2011 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

**Status – Implemented**

PCS' agreement dated April 1, 2014 with its marketing agent for the marketing of lottery products in Saskatchewan includes the requirement to provide an annual payee listing to PCS.

## 4.2 Timely Removal of User Access Needed

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Although PCS has established procedures for removing user access to its computer systems and data, staff did not consistently follow them.

In 2013-14, 7 out of 10 individuals that we tested (2013: none) did not have their computer network access removed promptly (e.g., removed between 12-25 days after their last day of employment for six individuals, removed 73 days after the last day of employment for one individual).

Not removing user access of former employees promptly increases the risk of inappropriate access to PCS's systems and data.

1. We recommend that the Ministry of Parks, Culture and Sport follow its established procedures and promptly remove unneeded user access to its computer systems and data.

## 4.3 Recording of Landfill Remediation Estimates Needed

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PCS did not record its estimate of liability related to decommissioning its landfills located in provincial parks.

PCS no longer has operating landfills in provincial parks throughout the province. It is responsible for decommissioning six closed landfills and monitoring two closed and decommissioned landfills located in provincial parks.



Canadian public sector accounting standards<sup>5</sup> require PCS to determine and record the estimated liability related to closure and post-closure costs associated with landfills. Liability for closure and post-closure begins when sites start to accept waste. Closure activities include all activities related to closing a site (such as adding a final cover and planting vegetation); post-closure activities include activities related to monitoring the site once it can no longer accept waste (e.g., monitoring the quality of ground and surface water). The standard expects governments to recognize a liability for closure and post-closure care as the landfill's site capacity is used.

In 2013-14, while PCS estimated the costs related to future closing activities for its landfills would be \$1.6 million (2013: \$0), it did not record this estimate in its accounting records.

Not recording accounting entries leads to producing incorrect financial information for decision-making.

- 2. We recommend that the Ministry of Parks, Culture and Sport record, in its accounting records, the estimated cost for closure and post-closure care of landfills located in the provincial parks.**

<sup>5</sup> PS3270 *Solid waste landfill and post-closure liability* establishes standards on how to account for and report the liability for closure and post-closure care of solid waste landfill sites. This section applies to all operating and closed landfill sites of governments. These standards came into effect in 1998.



## Chapter 17

### Public Service Commission

#### 1.0 MAIN POINTS

The Public Service Commission complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The Public Service Commission had effective rules and procedures to safeguard public resources except that it needs to follow its established procedures to promptly remove unneeded user access to its information technology (IT) systems.

#### 2.0 INTRODUCTION

The Public Service Commission (PSC) is the central human resources agency for the Government of Saskatchewan.<sup>1</sup>

PSC provides leadership and policy direction for the development of a professional public service. PSC delivers human resource services including staffing, classification of positions, compensation and labour relations, and works with ministries in the delivery of human resource services.<sup>2</sup>

#### 2.1 Financial Overview

The following outlines PSC's major programs and spending. **Figure 1** provides PSC's spending by each of its key components.

At March 31, 2014, PSC held tangible capital assets (primarily IT equipment and software, and building improvements) with a net book value of \$4.5 million.

**Figure 1—Major Programs and Spending**

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Human Resource Client Services and Support	\$ 14.9	\$ 14.5
Corporate Human Resources and Employee Relations	7.8	9.1
Employee Service Centre	11.4	10.0
<b>Total Appropriation</b>	<b>34.1</b>	<b>33.7</b>
Amortization of Capital Assets	1.5	1.5
Capital Assets Acquisitions	0.0	0.0
<b>Total Expense</b>	<b>\$ 35.6</b>	<b>\$ 35.2</b>

Source: Public Service Commission 2013-14 Annual Report, p.12.

<sup>1</sup> Public Service Commission: 2013-14 Annual Report, p.4.

<sup>2</sup> Ibid.



### 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2014:

- ▶ **PSC had effective rules and procedures to safeguard public resources except for the matter reported in this chapter**
- ▶ **PSC complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Public Service Act, 1998*  
*The Public Services Regulations, 1998*  
*The Financial Administration Act, 1993*  
Orders in Council issued pursuant to the above legislation

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of PSC's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Our audit examined the effectiveness of PSC's financial-related controls used to administer its spending, and controls PSC used to keep reliable financial records and prepare reliable financial reports.

### 4.0 KEY FINDING AND RECOMMENDATION

In this section, we outline a key observation from our assessments and the resulting recommendation.

#### 4.1 Timely Removal of User Access Needed

We recommended that the Public Service Commission follow its established procedures for removing user access to its computer systems and data. (2010 Report – Volume 2; Public Accounts Committee agreement June 7, 2011)

**Status – Not Implemented**

PSC staff continue to not always follow its processes for promptly removing user access for individuals who no longer work for PSC.

In 2013-14, two out of eight individuals that we tested (2013: two individuals) did not have their computer network access removed until over 37 days after their last day of employment with PSC.

Not promptly removing user access of former employees increases the risk of inappropriate access to the PSC's systems and data.



## Chapter 18

### Regina Qu'Appelle Regional Health Authority

#### 1.0 MAIN POINTS

Regina Qu'Appelle Regional Health Authority (Regina Qu'Appelle) had reliable financial statements, and it complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. It had effective rules and procedures to safeguard public resources with the following exceptions. It needs to improve its budgeting and financial reporting processes, establish an internal audit function, strengthen its information technology (IT) security, and establish and test a disaster recovery plan.

#### 2.0 INTRODUCTION

*The Regional Health Services Act* (the Act) created Regina Qu'Appelle. The Act makes Regina Qu'Appelle responsible for the planning, organization, delivery, and evaluation of health services in its health region or any other area that may be directed by the Minister of Health. The Act makes the Cabinet-appointed Board responsible for administering the affairs and conducting the business of the regional health authority.

Regina Qu'Appelle provides specialized health care for 500,000 residents in southern Saskatchewan (including almost 280,000 who live in the health region). It has over 7,700 employees.

Each year, over 90% of Regina Qu'Appelle's revenue is grants from the Ministry of Health. For the year ended March 31, 2014, Regina Qu'Appelle had revenues of \$1.02 billion (2013: \$0.97 billion) including \$0.93 billion (2013: \$0.88 billion) of grants from the Ministry of Health, and expenses of \$1.04 billion (2013: \$1.01 billion).<sup>1</sup> At March 31, 2014, it held assets of \$0.39 billion (2013: \$0.38 billion) including capital assets of \$0.33 billion (2013: \$0.33 billion) and liabilities of \$0.18 billion (2013: \$0.16 billion).

#### 3.0 AUDIT CONCLUSIONS AND SCOPE

**In our opinion, for the year ended March 31, 2014:**

- ▶ **Regina Qu'Appelle had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**
- ▶ **Regina Qu'Appelle complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Critical Incident Regulations*  
*The Health Information Protection Act*  
*The Health Labour Relations Reorganization (Commissioner) Regulations*  
*The Housing and Special-care Homes Regulations*

<sup>1</sup> Total of operating and restricted funds from audited financial statements for the year ended March 31, 2014.



*The Regional Health Services Act*  
*The Regional Health Services Administration Regulations*  
*The Special-care Homes Rates Regulations, 2011*  
*The Trustee Act, 2009*  
*The Tabling of Documents Act, 1991*  
*The Regina Qu'Appelle Regional Health Authority Board Bylaws*  
*Orders in Council issued pursuant to the above legislation*

### **Regina Qu'Appelle had reliable financial statements**

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of Regina Qu'Appelle's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of Regina Qu'Appelle's financial-related controls used to administer its revenues, expenses, assets, and liabilities. These controls included Regina Qu'Appelle's governance and financial management reporting. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

As Regina Qu'Appelle's major expenses consist of payroll and other goods and services, we examined its processes for preparing and processing payroll, and ordering, paying for, and receiving goods and services. We also examined Regina Qu'Appelle's processes to safeguard and control its major medical equipment and information technology (IT) systems and data.

## **4.0 KEY FINDINGS AND RECOMMENDATIONS**

In this section, we outline key observations from our assessments and the resulting recommendations.

### **4.1 Timely Approval of Budget Needed**

We recommended that the Board of Directors of the Regina Qu'Appelle Regional Health Authority review and approve future budgets on a timely basis. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

Budgets set out the financial expectations of an agency. We expected the Board to receive and approve the budget, subject to the Ministry of Health's approval, prior to the beginning of its fiscal year (April 1). We recognize that the Government typically tables its Budget in mid-March each year; this includes planned expenses on health. As such, we expected the Board to revise its budget, if necessary, when the funding from the Ministry was finalized.

Regina Qu'Appelle's Board approved the budget for 2014-15 on May 28, 2014 – two months after the start of its fiscal year (April 1). By this time, Regina Qu'Appelle had already incurred two months of deficit.

Prior to the beginning of its fiscal year, the Board received an interim financial plan. On March 26, 2014, the Board approved the direction for financial planning for 2014-15. The interim financial plan did not include a detailed budget. Rather, the purpose of the plan was to reflect on the 2013-14 planning process and to provide an early look at the 2014-15 financial information. It included some high-level information on the 2014-15 financial situation (e.g., anticipated operating revenues and expenditures).

## 4.2 Reasons for Actual-to-Budget Differences Received

We recommended that Regina Qu'Appelle Regional Health Authority include in its monthly financial reports to the Board of Directors complete reasons for differences between the year-to-date budgeted and actual expenses. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

During 2013-14, Regina Qu'Appelle improved the monthly financial reports that it provided to the Board by including complete reasons for differences between the year-to-date budgeted and actual expenses. See **Section 4.3** for concerns about the projections included in these reports.

## 4.3 Reasonable and Supportable Projections Needed

We recommended that Regina Qu'Appelle Regional Health Authority provide the Board of Directors reliable monthly financial reports that include reasonable and supportable projections of year-end results. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status – Not Implemented**

While the Board received monthly financial reports throughout the year, the projections included in these reports need improvement.

To be a useful management tool, projections must be reasonable and supportable. During our review of a sample of its monthly financial reports, Regina Qu'Appelle could not provide us with support for the projected deficit included in the reports, or explain why the projected deficit differed significantly from the actual results.





#### **4.4 Improved Monitoring of Financial Reports, but More Work Needed**

We recommended that the Board of Directors of Regina Qu'Appelle Regional Health Authority perform regular, timely, and thorough reviews of financial reports. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

During 2013-14, while the Board received and reviewed all of the monthly financial reports on a timely basis, as noted in **Section 4.3**, those reports were not adequate. Without adequate information, the Board is unable to perform a thorough review of the financial reports.

As noted in **Section 4.6**, the Board has requested the appointment of an individual with financial expertise to help the Board with its assessment of the financial reports.

#### **4.5 Formal Plan to Address Operating Deficits Needed**

We recommended that Regina Qu'Appelle Regional Health Authority develop action plans to address projected operating deficits and provide a formal plan to the Board of Directors for approval. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status – Not Implemented**

For the year ended March 31, 2014, Regina Qu'Appelle incurred an operating deficit of \$1.6 million (2013: \$19.7 million), as compared to its planned deficit of \$15.0 million (2013: \$2.0 million surplus).

Through our review of various Board documents and minutes, we noted discussions regarding the budget, deficit reduction strategies, and Regina Qu'Appelle's financial status. However, Regina Qu'Appelle had not documented, nor had the Board approved, a formal plan to address the projected operating deficits.

#### **4.6 Board Member with Financial Expertise Requested**

We recommended that Regina Qu'Appelle Regional Health Authority request the Ministry of Health to appoint individuals to the Board of Directors with financial expertise necessary to assess financial reports. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**



In March 2014, the Chair of the Board asked the Minister of Health, by letter, to fill Board vacancies and appoint at least one Board member with an accounting designation to help the Board manage financial risk.

In June 2014, two new individuals were appointed to the Board; however, neither of these individuals have an accounting designation. One position on the Board was vacant at June 30, 2014.

## 4.7 Internal Audit Function Needed

We recommended that the Regina Qu'Appelle Regional Health Authority Board implement an internal audit function. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

### Status – Not Implemented

Although the Board of Directors and management support the need to establish an internal audit function, Regina Qu'Appelle has not done so.

Regina Qu'Appelle is a large organization operating at multiple locations. Other large Saskatchewan health authorities have an internal audit function.<sup>2</sup> An internal audit function could give the Board and senior management assurance on the effectiveness of management processes and compliance with policies and procedures. Also, the function could provide assurance on the effectiveness of IT security controls to protect patient systems and data.

## 4.8 IT Security Needs Strengthening

We recommended that the Regina Qu'Appelle Regional Health Authority adequately protect its information technology systems and data. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

### Status – Partially Implemented

Regina Qu'Appelle had documented some IT security policies and procedures (e.g., granting access and defining password requirements). However, Regina Qu'Appelle did not always follow its procedures for removing unnecessary user accounts on a timely basis.

During our testing, we noted that access for nine individuals no longer employed by Regina Qu'Appelle was not removed on a timely basis. Regina Qu'Appelle took between 10 to 44 days after those individuals' last day of employment to remove their access.

<sup>2</sup> At March 31, 2014, Saskatoon and Prince Albert Parkland Regional Health Authorities have internal audit functions.



Staff need to follow Regina Qu'Appelle's procedures for removing unneeded user accounts on a timely basis. Lack of compliance with security processes could compromise the confidentiality, integrity, and availability of Regina Qu'Appelle's IT systems and data.

## 4.9 Establishment and Testing of Disaster Recovery Plan Needed

We recommended that all regional health authorities establish adequate disaster recovery plans and test those plans to ensure their effectiveness. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

### Status – Partially Implemented

The primary function of a disaster recovery plan is to rebuild IT resources after a major disaster or other interruption.

Regina Qu'Appelle relies on IT systems and data to support the delivery of patient care. As noted in our *2013 Report – Volume 2*, Regina Qu'Appelle had identified some staff roles and responsibilities related to disaster recovery, had documented recovery time objectives for key systems, and had identified the need for an alternate computer facility.

At March 31, 2014, Regina Qu'Appelle did not have a complete plan that identifies how it would restore its IT systems and data. Management advised us that Regina Qu'Appelle is working with a consultant to develop a disaster recovery model, including an implementation plan for disaster recovery and the associated costs. It expects this model to be developed by the end of the 2014-15 fiscal year.

## Chapter 19 Regional Health Authorities

### 1.0 MAIN POINTS

This chapter reports the results of our audits of 10 of the 12 regional health authorities (RHAs). Chapters 18 and 25 report the results of our audits of the remaining two RHAs—Regina Qu'Appelle RHA and Saskatoon RHA, respectively.

Four of the 10 RHAs had reliable financial statements; Cypress, Five Hills, Heartland, Prairie North, PA Parkland, and Sun Country RHAs did not follow Canadian generally accepted accounting principles for the public sector in that they did not properly account for healthcare facilities built or acquired under shared ownership agreements with the Ministry of Health. As a result, the auditors' reports on each of these 2014 financial statements is qualified because each of those financial statements contained significant errors.

Seven of the 10 RHAs complied with authorities governing their activities; Cypress, Mamawetan Churchill River, and Keewatin Yatthé did not. Each one of these three RHAs did not have a written agreement for providing funding to other healthcare organizations, as the law expects.

Most RHAs continue to make progress towards improving their processes. Five RHAs need to do more to better protect their information technology systems and data. Four RHAs do not have up-to-date or tested disaster recovery plans. While Mamawetan Churchill River is also improving some processes, it needs to do more to control its payroll costs for amounts paid as overtime.

### 2.0 INTRODUCTION

The *Regional Health Service Act* (Act) created 12 regional health authorities in Saskatchewan. The Act makes RHAs responsible for the planning, organization, delivery, and evaluation of health services in their respective health regions. **Figure 1** lists the 10 RHAs discussed in this chapter, the names of their appointed auditors, and the key financial results for 2013-14.

**Figure 1— Regional Health Authority and Appointed Auditor**

Regional Health Authority	Appointed Auditor at March 31, 2014	2013-14 Revenues	2013-14 Annual Surplus (Deficit) (in millions)	Fund Balance at March 31, 2014
Cypress	Stark & Marsh LLP	\$ 142.1	\$ 6.3	\$ 86.4
Five Hills	Virtus Group LLP	163.4	10.0	55.2
Heartland	KPMG LLP	114.5	9.1	62.9
Kelsey Trail	NeuPath Group, PC Inc.	130.8	3.5	50.5
Keewatin Yatthé	MNP LLP	28.0	(0.9)	23.1
Mamawetan Churchill River	Deloitte LLP	30.3	(0.1)	10.2



Regional Health Authority	Appointed Auditor at March 31, 2014	2013-14 Revenues	2013-14 Annual Surplus (Deficit) (in millions)	Fund Balance at March 31, 2014
Prairie North	Menssa Baert Cameron Odishaw La Cock	278.2	(1.9)	51.5
Prince Albert Parkland	MNP LLP	230.0	1.3	72.4
Sun Country	Virtus Group LLP	162.5	11.2	68.4
Sunrise	Collins Barrow PQ LLP	219.6	(4.2)	27.1

Source: Audited financial statements of each regional health authority.

### 3.0 AUDIT CONCLUSIONS AND SCOPE

**In our opinion, for the year ended March 31, 2014:**

- ▶ The financial statements for Kelsey Trail, Keewatin Yatthé, Mamawetan Churchill River, and Sunrise are reliable. The financial statements for Cypress, Five Hills, Heartland, Prairie North, Prince Albert Parkland, and Sun Country contain significant errors related to accounting for certain healthcare facilities as described in Section 4.3.
- ▶ Each of the 10 regional health authorities listed in Figure 1 complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described in this chapter:

*The Critical Incident Regulations*  
*The Health Information Protection Act*  
*The Health Labour Relations Reorganization (Commissioner) Regulations*  
*The Housing and Special-care Homes Regulations*  
*The Regional Health Services Act*  
*The Regional Health Services Administration Regulations*  
*The Special-care Homes Rates Regulations, 2011*  
*The Trustee Act, 2009*  
*The Tabling of Documents Act, 1991*  
Each RHA's Bylaws  
Orders in Council issued pursuant to the above legislation

- ▶ Each of the 10 regional health authorities listed in Figure 1 had effective rules and procedures to safeguard public resources except for the matters described in this chapter.

To complete our audits, we worked with each of the RHAs' appointed auditors using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>1</sup>

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of the RHAs' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

<sup>1</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).



For Mamawetan Churchill River, we did additional work to assess its documentation of medication administered to patients. Our work consisted of observation and discussion with management and staff at Mamawetan Churchill River, and testing of selected procedures.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

**Sections 4.1 to 4.7** set out areas where improvements were needed at March 31, 2014. **Figure 2** compiles those areas by regional health authority. **Sections 4.8 to 4.13** notes areas where regional health authorities have improved their processes or practices and have fully implemented our past recommendations.

**Figure 2—Compilation of Outstanding Recommendations by Regional Health Authority**

Regional Health Authority	4.1 Agreements with Healthcare Organizations	4.2 Protection of IT Systems	4.3 Accounting for Healthcare Facilities	4.4 Up-to-date and Tested Disaster Recovery Plan	4.5 Control of Capital Assets	4.6 Support and Approval of Staff Overtime	4.7 Review and Approval of Financial Records
Cypress	X		X	X			
Five Hills			X				
Heartland		X	X	X			
Kelsey Trail							
Keewatin Yatthé	X	X			X		
Mamawetan Churchill River	X	X		X		X	X
Prairie North			X				
Prince Albert Parkland		X	X				
Sun Country		X	X				
Sunrise				X			

### 4.1 Cypress, Mamawetan Churchill River, and Keewatin Yatthé—Each Need Agreements with Healthcare Organizations

Cypress and Mamawetan Churchill River each need to comply with *The Regional Health Services Act* to provide funding to healthcare organizations (HCO).<sup>2</sup>

The above two RHAs use various HCOs to provide healthcare services to residents. *The Regional Health Services Act* (Act) does not allow RHAs to provide funding to HCOs

<sup>2</sup> Healthcare organizations means affiliates or other prescribed organizations that operate special care homes designated pursuant to *The Facility Designation Regulations* and includes healthcare organizations that are not designated.



without written agreements. These RHAs have written agreements with most but not all of their HCOs.

In 2013-14, each of these RHAs provided funding to various HCOs without written agreements. Cypress provided \$1.8 million to a HCO; Mamawetan Churchill River provided \$145,000 to another HCO. Accordingly, Cypress and Mamawetan Churchill River did not comply with the Act.

1. We recommend that Cypress Regional Health Authority comply with *The Regional Health Services Act* when providing funding to healthcare organizations in the region.
2. We recommend that Mamawetan Churchill River Regional Health Authority comply with *The Regional Health Services Act* when providing funding to healthcare organizations in the region.

We recommended that Keewatin Yatthé Regional Health Authority comply with *The Regional Health Services Act* when providing funding to healthcare organizations in the region. (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

**Status – Not Implemented**

Although Keewatin Yatthé has signed an agreement with the HCO to which it had provided funding in 2012-13 without an agreement, it provided \$292,000 in 2013-14 to another HCO without a signed agreement. Accordingly, it did not comply with the Act.

## **4.2 Sun Country, Heartland, Keewatin Yatthé, Mamawetan Churchill River, and PA Parkland—Each Need Better Protection of IT Systems and Data**

As noted in this section, the following five RHAs (Sun Country, Heartland, Keewatin Yatthé, Mamawetan Churchill River, and PA Parkland) each need to better protect their information technology (IT) systems and data.

Delays in removing unneeded access to systems and data increase the risk of inappropriate access to systems and data. Non-compliance with or lack of established policies increases the risk of inappropriate and unauthorized changes to IT systems and data.

Staff at Sun Country did not always follow its policy to remove user access to inactive accounts. Sun Country requires staff to remove user access for individuals whose accounts remained inactive for more than 60 days. During the year, staff did not always

follow this policy. We noted that staff did not promptly remove access for 7 out of 15 inactive accounts that we tested. At March 31, 2014, some of those accounts had been inactive for more than two years.

**3. We recommend that Sun Country Regional Health Authority follow its established policy to remove unneeded user access to its information technology systems and data.**

We recommended that Heartland Regional Health Authority adequately protect its information technology systems and data. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status – Partially Implemented**

During the year, Heartland did some work to improve the confidentiality, integrity, and availability of its IT systems and data. It implemented new processes to remove user access to its systems and data for those who no longer needed it, and to review and monitor its system administrator's activity. However, Heartland continues to need to restrict physical access to its IT equipment.

We recommended that Keewatin Yatthé Regional Health Authority improve its processes to grant and remove user access to its IT systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status – Not Implemented**

During the year, although Keewatin Yatthé made some progress, we found several instances where individuals no longer employed by the region continued to have access to Keewatin Yatthé systems and data.

We recommended that Mamawetan Churchill River Regional Health Authority establish information technology policies and procedures based on a threat and risk analysis. (2004 Report – Volume 3; Public Accounts Committee agreement October 26, 2005)

**Status – Not Implemented**

During the year, Mamawetan Churchill River followed its process for timely identification and removal of user access. However, some of its employees use generic user accounts to access its systems and data. Also, Mamawetan Churchill River has not completed its work to establish formal policies for change management procedures for its applications and database changes.

We recommended that Prince Albert Parkland Regional Health Authority follow its processes to grant and remove user access to its IT systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status – Not Implemented**

We found nine instances where PA Parkland did not promptly remove access to its systems and data for individuals who were no longer its employees.

## 4.3 Proper Accounting for Certain Healthcare Facilities Needed

We recommended that Cypress Regional Health Authority, Five Hills Regional Health Authority, Heartland Regional Health Authority, Prairie North Regional Health Authority, Prince Albert Parkland Regional Health Authority, and Sun Country Regional Health Authority follow Canadian generally accepted accounting principles for the Public Sector to prepare their financial statements. (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

**Status – Not Implemented**

The 2014 financial statements for six RHAs continue to contain significant errors—Cypress, Five Hills, Heartland, Prairie North, Prince Albert Parkland, and Sun Country (the listed RHAs). As a result, the appointed auditor for each of these RHAs issued a qualified audit opinion<sup>3</sup> on the related set of 2014 financial statements.

Each of the listed RHAs, under an agreement with the Ministry of Health (called a shared ownership agreement) received funding to build or acquire certain healthcare facilities. As in the prior year, the listed RHAs did not follow Canadian generally accepted accounting principles for the public sector (Canadian GAAP) in preparing their 2014 financial statements when accounting for transactions under these agreements. Canadian GAAP requires agencies to record transactions to reflect their substance rather than their legal form. The Ministry of Health directed these RHAs to account for these agreements based on their legal form. As a result, the listed RHAs did not correctly account for healthcare facilities under “shared ownership” agreements resulting in significant errors in their 2014 financial statements.

Because the listed RHAs did not correctly account for healthcare facilities under shared ownership agreements, their 2014 financial statements report incorrect amounts at year-end. At the year-end, the financial statements cumulatively understate capital assets by \$114.9 million, overstate accounts payable to the Ministry of Health by \$37.2 million, and understate restricted fund balances by \$152.1 million. Those financial statements also cumulatively understate their revenue for the year and their annual surplus by \$110.3 million.

<sup>3</sup> An auditor expresses a qualified opinion when the auditor, having obtained appropriate audit evidence, concludes that misstatements, individually or in aggregate, are material, but not pervasive, to the financial statements.



As reflected in the auditor's report on each of these financial statements, not following Canadian GAAP has resulted in each of the listed RHAs preparing financial statements that contain significant errors.

#### **4.4 Cypress, Heartland, Mamawetan Churchill River, and Sunrise—Each Need Up-to-Date or Tested Disaster Recovery Plans**

We recommended that all regional health authorities establish disaster recovery plans and test those plans to ensure their effectiveness. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – Implemented (Five Hills, Kelsey Trail, Keewatin Yatthé, Prairie North, Sun Country, and Prince Albert Parkland); Partially Implemented (Cypress, Sunrise); Not Implemented (Heartland, and Mamawetan Churchill River)

Almost all regional health authorities made progress in having complete and tested disaster recovery plans (DRPs). In 2013-14, Five Hills, Kelsey Trail, Keewatin Yatthé, Prairie North, Sun Country, and Prince Albert Parkland each had complete and tested DRPs. Cypress and Sunrise each had partial DRPs but need to complete documenting and testing DRPs to assess their effectiveness. Heartland and Mamawetan Churchill River did not have updated and tested DRPs.

Not having up-to-date and tested DRPs increases the risk that systems and data may not be available when needed.

#### **4.5 Keewatin Yatthé Needs Better Control of its Capital Assets**

We recommended that Keewatin Yatthé Regional Health Authority count its capital assets and agree its capital asset records to its accounting record regularly. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

**Status** – Partially Implemented

During the year, Keewatin Yatthé completed a count of its information technology equipment, and plans to count the rest of its capital assets by December 2015.



## 4.6 Mamawetan Churchill River Needs to Check Support and Approval of Staff Overtime

We recommended that Mamawetan Churchill River Regional Health Authority establish a process to control overtime costs resulting from calling staff back to work to provide healthcare services outside their assigned shifts. (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

**Status – Not Implemented**

While Mamawetan Churchill River has taken some steps to control its overtime costs resulting from calling staff back<sup>4</sup> to provide services, it needs to do more work. Although the amount it paid for monthly call-back to staff has decreased, management could not provide us with evidence of its review and approval of:

- Call-back timesheets prior to processing payroll
- The monthly call-back payroll
- The payroll register before making payments to staff

Lack of review and approval of the payroll register prior to making payments could result in system errors or improprieties in payroll without detection.

## 4.7 Mamawetan Churchill River Needs to Review and Approve its Financial Records

We recommended that Mamawetan Churchill River Regional Health Authority establish a process to review and approve all key financial procedures (e.g., bank reconciliations, journal entries). (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

**Status – Not Implemented**

Mamawetan Churchill River continues to develop policies and procedures to ensure management reviews and approve all key financial procedures on a timely basis. It expects to complete this process late in 2014.

Not having complete financial policies and procedures increases the risk of staff not having a full understanding of the financial accounting and reporting processes, their related responsibilities and the risk of errors going undetected.

<sup>4</sup> Based on the Collective Agreement between the Saskatchewan Association of Health Organizations and the Saskatchewan Union of Nurses 2012-2014, a call back is when an employee is brought back to duty during a stand by duty period. The employee is deemed to be working overtime for the time worked with a guaranteed minimum payment of two hours on each occasion of call back.

#### 4.8 Prince Albert Parkland Signed Agreements with Healthcare organizations

We recommended that Prince Albert Parkland Regional Health Authority comply with *The Regional Health Services Act* when providing funding to healthcare organizations in the region. (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

**Status** – Implemented

During the year, PA Parkland did not provide funding to any HCOs without a written agreement.

#### 4.9 Cypress Segregated Key Financial Duties

We recommended that Cypress Regional Health Authority adequately segregate duties of its staff working with its financial accounting system. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

During the year, Cypress addressed this recommendation. It has now segregated duties of staff working with its financial accounting system. Cypress revised staff duties so that one employee cannot both enter and approve transactions in the accounting system.

#### 4.10 Keewatin Yatthé and Prairie North Approving Employee Time Cards

We recommended that Keewatin Yatthé Regional Health Authority follow its processes to pay its employees based on properly approved timecards. (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

**Status** – Implemented

We recommended that Prairie North Regional Health Authority follow its processes to control bank accounts when making payments to employees. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

**Status** – Implemented



During the year, Keewatin Yatthé and Prairie North followed their processes to pay their employees based on properly-approved timecards; we did not find any exception during our testing of each of these RHAs' payrolls.

#### **4.11 Prairie North Removing User Access Promptly**

We recommended that Prairie North Regional Health Authority follow its processes to grant and remove user access to its IT systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status – Implemented**

During the year, Prairie North's process for timely identification and removal of user access worked effectively. During our testing, we found no instances where user access of individuals no longer employed by the Prairie North was not removed promptly.

#### **4.12 Mamawetan Churchill River Documented Medicine Administered to Patients in Patient Files**

We recommended that Mamawetan Churchill River Regional Health Authority establish a process to ensure its staff properly document in patient files who prescribed the medication administered. (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

**Status – Implemented**

We recommended that Mamawetan Churchill River Regional Health Authority establish processes to ensure medications are only administered to patients who have been registered in its healthcare facilities. (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

**Status – Implemented**

During the year, Mamawetan Churchill River designated a healthcare professional to ensure staff properly document, in patient files, the names of healthcare professionals who prescribe the medicine administered. Other than one incident in April of 2013, we found no other exceptions in our testing of patient files. This healthcare professional also ensures drug inventory records document the name of the patient who received medicine and the nurse who administered it. We found no exceptions in our testing of the inventory records.

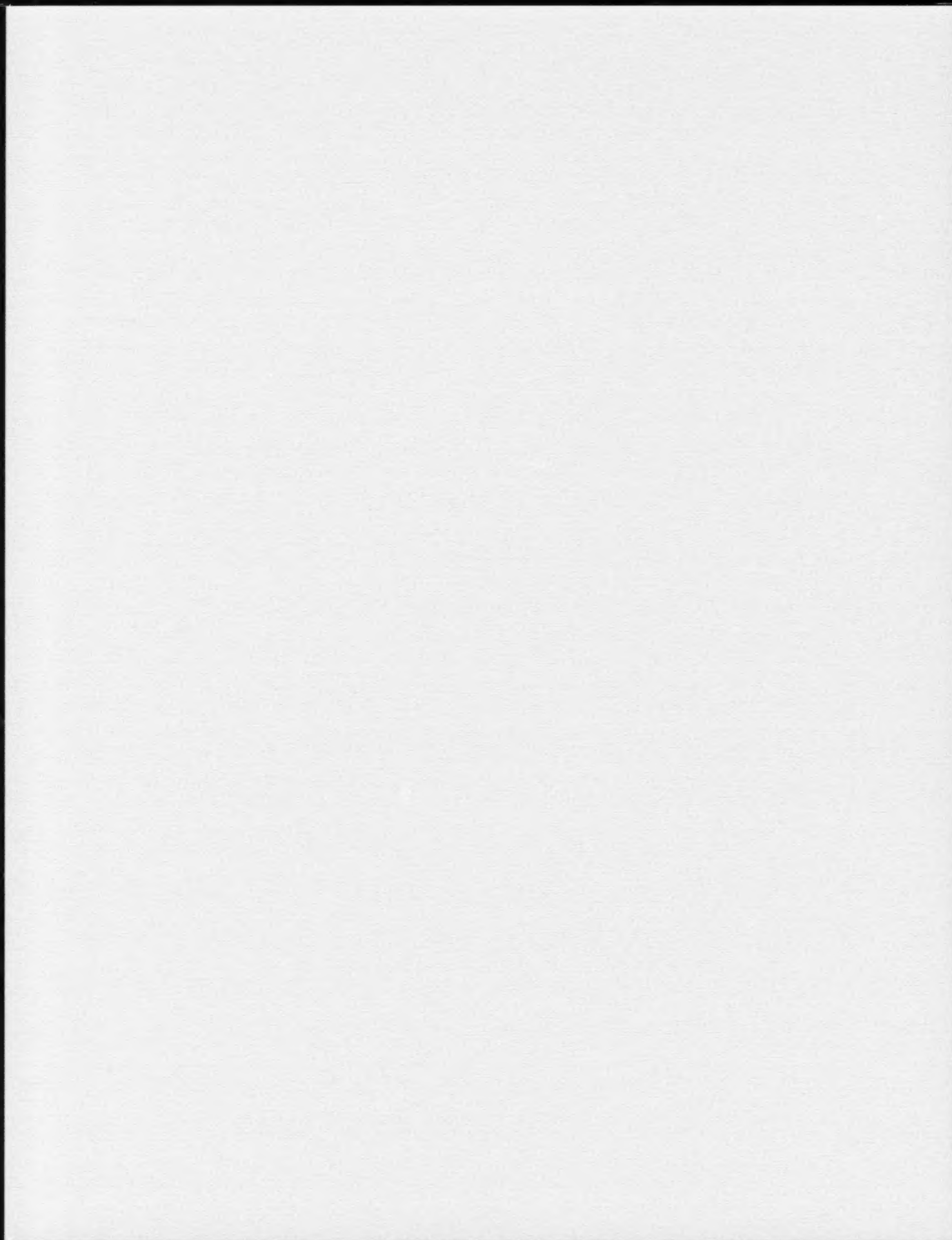


### 4.13 Prairie North Created Internal Audit Function

We recommended that Prairie North Regional Health Authority assess the need for an internal audit function. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status – Implemented**

During the year, management of Prairie North presented to its Board of Directors a cost-benefit analysis that assessed the need for an internal audit function. Subsequently, Prairie North hired a professional accountant to perform some of the internal audit functions. The Board's audit and finance committee can direct this individual to work on special audit projects and report findings to the committee.



## Chapter 20

### Saskatchewan Cancer Agency

#### 1.0 MAIN POINTS

For the year ended March 31, 2014, the Saskatchewan Cancer Agency (Agency) had reliable financial statements, and complied with the authorities governing its activities. Also, it had effective rules and procedures to safeguard public resources except that it did not test the effectiveness of its disaster recovery plan as its policies require.

#### 2.0 INTRODUCTION

The Agency was established under *The Cancer Agency Act*. It is responsible for delivering effective and sustainable research, education, prevention, early detection, treatment, and supportive care programs for the control of cancer in Saskatchewan.

In 2014, the Agency had revenues totalling \$155.7 million, expenses totalling \$152.2 million, and held assets totalling \$59.9 million at March 31, 2014.

#### 3.0 AUDIT CONCLUSIONS AND SCOPE

**In our opinion, for the year ended March 31, 2014:**

- ▶ **The Agency had effective rules and procedures to safeguard public resources except for the matter described in this chapter**
- ▶ **The Agency complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Cancer Agency Act*  
*The Regional Health Services Act*  
*The Health Information Protection Act*  
*The Cancer Agency Regulations*  
*The Regional Health Services Administration Regulations*  
 Orders in Council issued pursuant to the above legislation

- ▶ **The Agency had reliable financial statements**

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of the Agency's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of the Agency's controls used to administer the revenues, expenses and assets identified in **Section 2.0**. The Agency's significant expenses include salaries, drugs, and medical supplies. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.



## 4.0 KEY FINDING AND RECOMMENDATION

In this section, we outline a key observation from our assessments and the resulting recommendation.

### 4.1 Disaster Recovery Plan Testing Needed

The Agency needs to comply with its established information technology (IT) policies.

Well-managed organizations establish appropriate IT policies and comply with those policies to mitigate the risk of unauthorized access, alteration, and loss of IT systems and data. The Agency's key systems include the cancer registry, clinical management, pharmacy, and financial systems.

The Agency has established appropriate policies to protect its systems and data. The Agency's policies require it to test its disaster recovery plan annually. However, contrary to its requirements, it has not tested the disaster recovery plan within the last two years.

- 1. We recommend that the Saskatchewan Cancer Agency test the effectiveness of its disaster recovery plan as its policies require.**



## Chapter 21

### Saskatchewan Crop Insurance Corporation

#### 1.0 MAIN POINTS

Saskatchewan Crop Insurance Corporation (SCIC) provides Saskatchewan producers with insurance and financial support programs. These programs include Crop Insurance, AgriStability, and Wildlife Damage Compensation. SCIC also manages the Crop Reinsurance Fund of Saskatchewan (Reinsurance Fund).

SCIC's financial statements and the Reinsurance Fund's financial statements for the year ended March 31, 2014 are reliable. Also, SCIC and the Reinsurance Fund complied with authorities governing their activities related to financial reporting, safeguarding resources, revenue raising, spending, and investing.

In 2014, SCIC had effective rules and procedures to safeguard public resources except that it did not determine the extent of uncertainty in its estimate for unpaid AgriStability benefits or disclose the possible extent of this uncertainty.

#### 2.0 INTRODUCTION

SCIC administers the AgrilInsurance (Crop Insurance) and the AgriStability programs under the authority of *The Saskatchewan Crop Insurance Corporation Act*. SCIC also administers the Wildlife Damage Compensation Program on behalf of the Saskatchewan Ministry of Agriculture. The costs for these programs are shared between the producers and both the Government of Saskatchewan and the Government of Canada in accordance with the rules set out in the *Growing Forward 2: A Federal-Provincial – Territorial Framework Agreement on Agriculture, Agri-food and Agri-based Products Policy* (known as the Growing Forward Agreement). These three programs are described below:

- 1 The Crop Insurance program provides producers with insurance for crop losses due to weather-related and other natural perils. The program guarantees a minimum crop yield and quality of grain to agricultural producers, subject to specific insurance decisions made by each producer.
- 2 The AgriStability program, created under the Growing Forward Agreement, provides support to producers who experience large income losses (i.e., an income-based support program).<sup>1</sup> That is, it provides financial assistance to producers when they experience a large margin decline<sup>2</sup> caused by production loss, increased costs, or market conditions.

<sup>1</sup> Saskatchewan Crop Insurance Corporation, *Annual Report 2013-14*, p. 7.

<sup>2</sup> A large margin decline is when a participating producer's current year program margin falls below a specified percentage of the producer's historical reference margin (e.g., 70% for 2013 program year). **Program margin** is a producer's allowable income minus a producer's allowable expenses in a given program year, with adjustments for changes in receivables, payables and inventory. These adjustments are made based on information the producer submits on the AgriStability harmonized form. **Historical reference margin** is a producer's average program margin for three of the past five years (the lowest and highest margins are dropped from the calculation). It is limited to the lower of the producer's historical reference margin or average allowable expenses for the years used to calculate the reference margin. Obtained from [www.agr.gc.ca/eng/?id=1291990433266](http://www.agr.gc.ca/eng/?id=1291990433266) (14 October 2014).



The Wildlife Damage Compensation Program provides producers with crop damage compensation, predation compensation,<sup>3</sup> and prevention. Financial reporting for this program is included in the financial statements of the Saskatchewan Agricultural Stabilization Fund reported by the Ministry.

SCIC also manages the Crop Reinsurance Fund of Saskatchewan (Reinsurance Fund). The Reinsurance Fund receives premiums from SCIC and pays reinsurance claims to SCIC based on formulas established under the Growing Forward Agreement.

SCIC's head office is located in Melville with 21 customer service offices in communities throughout the province.<sup>4</sup> It employs over 500 staff; approximately one-half of SCIC's staff work at its head office and the other half work at the customer service offices.

## 2.1 Financial Overview

At March 31, 2014, SCIC held assets of \$1,030 million (2013 – \$694 million). For the year ended March 31, 2014, SCIC had revenue of \$833 million (2013 – \$1,027 million), expenses of \$384 million (2013 – \$928 million), and an annual surplus of \$449 million (2013 – surplus of \$99 million).

For the year ended March 31, 2014, the Reinsurance Fund had revenue of \$42 million (2013 – \$39 million) and had an accumulated surplus of \$165 million (2013 – \$123 million).

Each year SCIC provides the Legislative Assembly with its annual report including its and the Reinsurance Fund's audited financial statements. The annual report can be found on SCIC's website.<sup>5</sup>

## 3.0 AUDIT CONCLUSIONS AND FINDINGS

Our Office worked with KPMG LLP, the appointed auditor, to carry out the audits of the SCIC and the Reinsurance Fund. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>6</sup>

**In our opinion, for the year ended March 31, 2014:**

- ▶ **SCIC had effective rules and procedures to safeguard public resources**
- ▶ **SCIC complied with the following authorities governing its and the Reinsurance Fund's activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Saskatchewan Crop Insurance Corporation Act*  
*The Crop Insurance Regulations*  
*The Financial Administration Act, 1993*  
Orders in Council issued pursuant to the above legislation  
*Growing Forward 2: A Federal-Provincial-Territorial Framework Agreement on Agriculture, Agri-Food and Agri-Based Products Policy*

<sup>3</sup> Wildlife Damage Compensation Program provides compensation to producers for injury or death to eligible livestock, fowl or specialty animals by predators.

<sup>4</sup> Saskatchewan Crop Insurance Corporation, *Annual Report 2013-14*, p. 6.

<sup>5</sup> [www.saskcropinsurance.com](http://www.saskcropinsurance.com) (14 October 2014).

<sup>6</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).

### The financial statements of SCIC and the Reinsurance Fund are reliable

#### We also report a matter related to SCIC's estimate of AgriStability Program Benefits.

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of SCIC's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2013-14 audit, we examined the effectiveness of SCIC's controls used to administer revenues, including setting and collecting premiums, and expenses identified in **Section 2.0**. SCIC's significant revenues include funding from the Ministry of Agriculture and the Government of Canada. SCIC's significant expenses include crop insurance payments, program payments and administration expenses. The reinsurance funds hold reinsurance premiums for SCIC. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

### 3.1 Better Disclosure of Uncertainty in AgriStability Estimate Needed

We recommended that the Saskatchewan Crop Insurance Corporation work with the Ministry of Agriculture to develop processes to ensure that the annual fiscal year-end estimates for AgriStability program benefits are reasonable, consistent, and current. (2013 Report – Volume 1, Public Accounts Committee has not yet considered this recommendation)

**Status – Not Implemented**

To estimate its program expenses, SCIC, in conjunction with the Ministry of Agriculture (Agriculture), use Agriculture and Agri-Food Canada's (AAFC) December estimate of Saskatchewan's AgriStability program benefits as the basis for its March 31 estimate. As described in **Figure 1**, SCIC and the Agriculture have input into this estimate process.

**Figure 1—Overview of Agriculture and Agri-Food Canada Process for Saskatchewan's Estimate of December 31 Program Expenses**

SCIC administers the AgriStability program for Agriculture and AAFC. Agriculture pays 40% of the costs of the AgriStability program and AAFC pays the remaining 60%. The program operates on a calendar year (program year).

The deadline for producers to submit program forms for the previous program year is September 30, which is after SCIC's March 31 year-end. Also, the program allows producers to amend their submissions for up to 18 months after the date of their original calculation of Benefits Statement. Given the program deadline and ability for producer amendments, at March 31, SCIC has complete information for only a few producers when making its estimate of the amount it owed for benefit payments at year-end.

Benefit payments to producers under the AgriStability program are complex and are based on specific calculations for a program year. The change in a producer's current year's income<sup>7</sup> is compared to the

<sup>7</sup> The program year is defined as the taxation year for which program forms are being submitted. The producer's current year income is adjusted for items such as changes in inventory valuation, receivables, payables, and purchased inputs. See pages 10 and 14 of the *AgriStability Program Handbook*.





average of the producer's previous five years' income<sup>8</sup>. The process involves receiving income tax return information from the Canada Revenue Agency and certain other information directly from the producer, and performing a number of verification steps. SCIC calculates the benefit payment due to the producer. If information used in the calculation is not correct or is later amended, it not only affects the current year calculation but it could also affect the calculation for several years into the future. This is because benefits are calculated based on current and past years' income.

Agriculture does not use its own model to estimate the amount of AgriStability benefit payments likely to be paid out for a given program year. Rather, Agriculture and SCIC rely on AAFC for this estimate. Each year, AAFC provides SCIC and Agriculture with its initial income forecast and estimate of program benefits specific to Saskatchewan as of December 31. AAFC bases its December estimate on its economic forecast of the overall condition of the farming industry in Canada and in Saskatchewan, and its assumptions for items such as grain and farming inputs prices and quantities as well as the anticipated producer participation level in the program.

AAFC's process to determine the AgriStability estimate is complex as many factors affect farm incomes and subsequently, the estimated amount of AgriStability benefits. The factors include the overall strength of the farm economy, commodity prices, inflation related to the price of farm inputs, moisture levels and weather patterns. It is difficult for the federal model to capture all of the unique circumstances for Saskatchewan. For example, management of SCIC indicated that in a year with excess moisture in Saskatchewan, AAFC's estimate would include an overall effect of flooding for the province as a whole, but not for a particular part of the province.

SCIC and Agriculture review the assumptions AAFC uses in its initial income forecast and estimate. They provide AAFC with their input based on their assessment of its reasonableness. AAFC makes adjustments based on discussions with SCIC and Agriculture. Once the assumptions are finalized, AAFC provides SCIC and Agriculture with its December 31 estimate of program benefits specific to Saskatchewan.

SCIC and Agriculture are aware that AAFC's estimate has not provided reasonably accurate results in the past. For example, SCIC's March 31, 2014 financial statements included an adjustment for the prior years' AgriStability estimate of \$10.5 million (2013 – \$166.8 million). This resulted in an increase in the AgriStability expense.

Management indicated that it has not been able to find alternate methods of determining other reasonably possible amounts or validating AAFC's estimate. However, neither SCIC, Agriculture, nor AAFC have determined the extent of uncertainty in the federal estimate for Saskatchewan. Unlike Alberta, neither SCIC nor Agriculture have asked AAFC to provide them with this information.<sup>9</sup>

SCIC discloses, in its financial statements, that the amount it has recognized for AgriStability indemnity payables (amount owed to producers) is an estimate and may materially change causing a material change to the amounts due to/from the Government of Canada and Agriculture as the assumptions used may change. However, SCIC does not disclose the possible extent of this change.

There is a risk that legislators and the public, when reading SCIC's financial statements, may not understand the extent of uncertainty of the amounts it has recorded in its statements related to the AgriStability program.

<sup>8</sup> The previous years' income amount is calculated by taking the average income of the previous five years with the highest and lowest years dropped.

<sup>9</sup> The Government of Alberta obtains information from the federal government on the extent of uncertainty of its federal estimate.



## Chapter 22

### Saskatchewan Indian Gaming Authority Inc.

#### 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Saskatchewan Indian Gaming Authority Inc. (SIGA) for the year ended March 31, 2014.

To help it recover critical business functions in the event of a disaster, SIGA must assess the need for a business continuity plan that would include emergency preparedness planning for all of its six casinos. SIGA must better protect its information technology (IT) systems and data including periodically reviewing user access to its IT systems and data.

Also, SIGA needs to finalize its human resource plan. Complete human resource plans assist in obtaining the right people at the right time. In addition, SIGA needs formal processes to track the disposal of its assets and to carry out periodic counts of its assets to confirm their existence.

SIGA's 2014 financial statements are reliable and it complied with the authorities governing its financial-related activities.

#### 2.0 INTRODUCTION

SIGA is a non-profit corporation established under *The Non-profit Corporations Act, 1995*. Its members are the Federation of Saskatchewan Indian Nations (FSIN), the Tribal Councils of Saskatchewan, and independent First Nations.

SIGA operates six casinos located on First Nations reserves. The casinos are:

- › Northern Lights Casino (Prince Albert)
- › Gold Eagle Casino (North Battleford)
- › Painted Hand Casino (Yorkton)
- › Bear Claw Casino (White Bear First Nation)
- › Dakota Dunes Casino (Whitecap Dakota First Nation)
- › Living Sky Casino (Swift Current)

Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) licenses SIGA to operate these casinos. In 2002, the Government of Saskatchewan and the FSIN signed the 2002 Framework Agreement (Framework Agreement) effective from June 11, 2002 to June 11, 2027. The Framework Agreement allows for the development and operation of casinos in Saskatchewan within the parameters of the *Criminal Code* (Canada). As required by section 207 of the *Criminal Code*, Liquor & Gaming owns the slot machines located in SIGA's casinos. Accordingly, Liquor & Gaming is responsible for the overall conduct and

management of the slot machines in those casinos. The revenue from the slot machines belongs to Liquor & Gaming, and is determined based on the Casino Operating Agreement.<sup>1</sup>

## 2.1 Financial Overview

At March 31, 2014, SIGA held assets of \$177 million, including capital assets of \$95 million, and had liabilities of \$182 million, including long-term debt of \$53 million. For the year ended March 31, 2014, its net casino profit was \$82.3 million.

SIGA's casino operations include slot machines, ancillary operations (i.e., gift shops, restaurants, lounges, and a hotel), and table games operations. **Figure 1** shows the net casino profits SIGA made during the last five years by type.

**Figure 1—SIGA Financial Results for the Five-Year Period from 2010 to 2014**

Year Ended March 31	2014	2013	2012	2011	2010
	(in millions)				
Slot machines operations profit	\$ 94.2	\$ 99.5	\$ 92.2	\$ 80.1	\$ 75.5
Ancillary operations loss	(10.7)	(10.0)	(7.5)	(11.8)	(11.5)
Table games operations loss	(3.3)	(3.0)	(3.0)	(4.2)	(3.8)
Unrealized gain (loss) on interest rate swaps*	2.1	0.3	(2.5)	0.3	4.9
<b>Net casino profit</b>	<b>\$ 82.3</b>	<b>\$ 86.8</b>	<b>\$ 79.2</b>	<b>\$ 64.4</b>	<b>\$ 65.1</b>

Source: 2009-10 to 2013-14 Saskatchewan Indian Gaming Authority Inc. annual reports.

\* Unrealized gain (loss) on interest rates swaps is the amount of change in the fair value of the swaps in a fiscal year.

## 3.0 AUDIT CONCLUSIONS AND SCOPE

Our Office worked with Deloitte LLP, the appointed auditor, to carry out the audit of SIGA. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>2</sup>

**In our opinion, for the year ended March 31, 2014:**

- 1 **SIGA had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- 2 **SIGA complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Non-profit Corporations Act, 1995*  
*The Non-profit Corporations Regulations, 1997*  
*The Alcohol and Gaming Regulation Act, 1997*  
*The Gaming Regulations, 2007*  
*Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*

<sup>1</sup>Liquor & Gaming and SIGA signed a Casino Operating Agreement effective from June 11, 2002 to June 11, 2027. Under the Casino Operating Agreement, Liquor & Gaming allows SIGA to deduct from slot machine revenues reasonable costs incurred in accordance with the operating policies approved by Liquor & Gaming.

<sup>2</sup>See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).

*Proceeds of Crime (Money Laundering) Suspicious Transactions Reporting Regulations (Canada)*  
 2002 Framework Agreement (June 11, 2002)  
 2002 Casino Operating Agreement (June 11, 2002)  
 Terms and Conditions for SIGA Table Games (issued by Indigenous Gaming Regulators Inc.)  
 SIGA Slot Machine Operating Procedures and Directives (issued by Liquor & Gaming)  
 SIGA Operating Policies and Directives (issued by Liquor & Gaming)  
 SIGA Bylaws

### **SIGA had reliable financial statements**

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of SIGA's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Because SIGA operates in the casino industry, it processes a significant number of cash transactions and holds a significant amount of cash in its casinos. As a result, we paid particular attention to SIGA's controls for managing cash in its casinos. This included assessing its processes for approving and recording transactions, and monitoring staff compliance with established procedures to safeguard cash. Also, because SIGA relies on its computer systems to manage its operations, we assessed its controls over key IT service providers, IT security, change management processes, and user access.

## **4.0 KEY FINDINGS AND RECOMMENDATIONS**

In this section, we outline key observations from our assessments and the resulting recommendations.

### **4.1 Business Continuity Plan Assessment Needed**

We recommended that Saskatchewan Indian Gaming Authority Inc. prepare a complete disaster recovery plan and assess the need for a business continuity plan. (2008 Report – Volume 3; Public Accounts Committee agreement March 11, 2009)

**Status – Partially Implemented**

SIGA relies significantly on its IT systems to operate. As previously reported,<sup>3</sup> SIGA has a disaster recovery plan for its IT systems that it tested in 2012-13. It plans to re-test the plan in 2014-15. A disaster recovery plan is a component of a business continuity plan (BCP). A BCP would include emergency preparedness planning for all of SIGA's six casinos.

By March 2014, SIGA had not assessed the need for a BCP. SIGA plans to complete its BCP in 2014-15. Lack of a BCP increases the risk that SIGA may not properly recover critical business functions in the event of a disaster.

<sup>3</sup> 2013 Report – Volume 2, Chapter 21, Saskatchewan Indian Gaming Authority Inc., p. 155.



## 4.2 Human Resource Plan Needs Improvement

We recommended that Saskatchewan Indian Gaming Authority Inc. complete and implement its human resource plan. (2003 Report – Volume 3; Public Accounts Committee agreement June 29, 2004)

**Status – Partially Implemented**

At March 2014 and as previously reported,<sup>4</sup> SIGA continued to have an incomplete draft human resource plan (dated 2009-2014). The draft plan did not include a projection of SIGA's future human resource needs (i.e., number, type, level, and location of employees) or analysis of the gaps between the resources needed to carry out its strategic plan and its access to those resources.

In January 2014, consistent with its plans, SIGA approved a workforce planning process and provided planning tools to help management in developing a comprehensive workforce plan (i.e., human resource plan). SIGA plans to complete and approve its workforce plan in 2014-15.

Lack of a complete and approved human resource plan increases the risk that SIGA may not have the right number of employees with the right competencies at the right time necessary to meet its strategic priorities.

## 4.3 Review of User Access Needed

We recommended that Saskatchewan Indian Gaming Authority Inc. perform regular reviews of its computer application user accounts. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status – Partially Implemented**

During 2013-14, SIGA did not complete reviews of IT user access for its key applications as it had planned. Such reviews are necessary so that access granted is consistent with each employee's job responsibilities and is appropriate. For example, during the audit, we noted about 21 users with administrator privileges<sup>5</sup> for a key application who no longer needed these privileges.

Lack of reviews of IT user access increases the risk of unauthorized access to and inappropriate modifications of systems and data.

<sup>4</sup> Ibid.

<sup>5</sup> Administrative privileges give users the ability to install software and change configuration settings.



## 4.4 Compliance with Policies to Control Capital Assets Needed

We recommended that Saskatchewan Indian Gaming Authority Inc. follow its policies to control capital assets. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status – Partially Implemented**

During the year, we noted that SIGA did not have a formal process for the disposal of capital assets. As a result, it did not have a record, in all cases, of what items are removed for sale or disposal from a given location.

Also, by March 2014 and as previously reported,<sup>6</sup> employees did not carry out a complete count of capital assets at SIGA's casinos as its policies require.

Not periodically counting all capital assets and comparing them to accounting records increases the risk that capital assets recorded in its accounting records may not exist.

## 4.5 Segregation of IT Responsibilities

We recommended that Saskatchewan Indian Gaming Authority Inc. adequately segregate responsibilities of information technology staff so that one person cannot both develop and make system changes. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status – Implemented**

IT developers for some of SIGA's key applications have the ability to both develop system changes and implement them without additional authorization (i.e., lack of segregation of incompatible functions). This increases the risk of unauthorized changes.

As part of its monitoring process, for one of its key applications, SIGA continued to generate and review a report each month to determine whether any unauthorized changes occurred.

During the year, SIGA also replaced some of its key applications and determined that lack of segregation did not pose a significant risk to its operations for the remaining key applications.

<sup>6</sup> 2013 Report – Volume 2, Chapter 21, Saskatchewan Indian Gaming Authority Inc., p. 157.



## Chapter 23

### Saskatchewan Liquor and Gaming Authority

#### 1.0 MAIN POINTS

Saskatchewan Liquor and Gaming Authority's (Liquor & Gaming) financial statements for the year ended March 31, 2014 are reliable. It complied with authorities governing its activities related to financial reporting, safeguarding resources, revenue raising, spending, borrowing, and investing.

Liquor & Gaming had, other than for the following four matters, effective rules and procedures to safeguard public resources. It needs to maintain complete and accurate records of its slot machines, improve its information technology (IT) policies, consistently comply with its IT policies, and implement a corporate-wide risk management framework.

#### 2.0 INTRODUCTION

Liquor & Gaming operates under *The Alcohol and Gaming Regulation Act, 1997*. It is responsible for the regulation, distribution, management, and operation of liquor and gaming across the province.<sup>1</sup>

Liquor & Gaming owns and operates all video lottery terminals (VLTs) located in the province, owns and manages all slot machines located at Saskatchewan Indian Gaming Authority Inc. (SIGA) casinos, and operates retail liquor stores. It distributes liquor to other businesses who sell liquor to the public (e.g., franchises, commercial permittees).

#### 2.1 Financial Overview

In 2013-14, Liquor & Gaming had revenues of \$1.1 billion, expenses of \$0.6 billion, and comprehensive income of \$0.5 billion. **Figure 1** shows Liquor & Gaming's key financial results by segment. At March 31, 2014, Liquor & Gaming held total assets of \$0.3 billion, had total liabilities of \$0.3 billion, and had a retained deficit of \$4 million. Liquor & Gaming's 2013-14 annual report includes its financial statements.

**Figure 1—Key Financial Results for 2013-14 by Segment**

	Liquor	VLT	Slot Machines in SIGA Casinos	Other Gaming	Total
	(in millions)				
Total Revenues*	\$ 620.1	\$ 239.2	\$ 225.1	\$ 1.2	\$1,085.6
Total Expenses*	367.8	63.6	142.8	16.9	591.1
Total Comprehensive Income (Loss)	\$ 252.3	\$ 175.6	\$ 82.3	\$ (15.7)	\$ 494.5

Source: Saskatchewan Liquor & Gaming Authority, *Annual Report for 2013-14*.

\* Including other comprehensive income/loss

<sup>1</sup> Saskatchewan Liquor and Gaming Authority, *Saskatchewan Liquor and Gaming Authority – Plan for 2014-15*, [www.slga.gov.sk.ca/Prebuilt/Public/Strategic%20Plan%202014-15.pdf](http://www.slga.gov.sk.ca/Prebuilt/Public/Strategic%20Plan%202014-15.pdf) (24 April 2014).



### 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2014:

- ▶ **Liquor & Gaming had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- ▶ **Liquor & Gaming complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Alcohol and Gaming Regulation Act, 1997*  
*The Alcohol Control Regulations, 2002 (until August 5, 2013)*  
*The Alcohol Control Regulations, 2013 (effective August 6, 2013)*  
*The Gaming Regulations, 2007*  
*The Liquor and Gaming Authority Employee Code of Conduct Regulations*  
*The Liquor Consumption Tax Act*  
*The Litter Control Act*  
*The Litter Control Designation Regulations*  
*The Saskatchewan Gaming Corporation Casino Regulations, 2002*

*Customs Tariff Act (Canada)*  
*Excise Act (Canada) (Schedules I, II and II.1)*  
*Excise Tax Act (Canada) (section 188)*  
*Excise Act, 2001 (Canada) (Schedules 4-6)*  
*Criminal Code of Canada (section 207)*  
Orders in Council issued pursuant to the above legislation  
2002 Framework Agreement, as amended  
2002 Casino Operating Agreement, as amended  
Western Canada Lottery Corporation Operating Agreement  
Indigenous Gaming Regulators Licensing Agreement

- ▶ **Liquor & Gaming had reliable financial statements**

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of Liquor & Gaming's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of Liquor & Gaming's financial-related controls used to administer revenues and expenses, safeguard assets, keep reliable financial records consistent with related authorities, and prepare reliable financial reports. This included evaluating its significant IT systems and processes, examining how it monitored SIGA's operations, and assessing its processes to request proposals and select a vendor to construct its new liquor distribution centre.

### 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

#### 4.1 More Timely Recording of Slot Machines Needed

Liquor & Gaming did not maintain complete and accurate records of its slot machines that are located at SIGA's casinos.

Liquor & Gaming has contracted a service provider, the Western Canadian Lottery Corporation – Saskatchewan Division (WCLC), to administer the operating system and



provide general physical maintenance of Liquor & Gaming's slot machines. This includes the installation and disposal of slot machines. At March 31, 2014, Liquor & Gaming owned about 2,100 slot machines with a net book value of \$8.3 million.<sup>2</sup>

Liquor & Gaming's financial staff must obtain information from WCLC to update its financial and capital asset records for purchases and disposals of slot machines. We found that during 2013-14, Liquor & Gaming's financial staff did not record all purchases and disposals of slot machines to keep its financial records up to date.

After year-end, Liquor & Gaming reconciled its slot machine records to those of WCLC. It identified that it had not recorded five slot machines and that it had not removed 176 slot machines (both with a nominal book value) from its financial records. Our audit also identified that Liquor & Gaming had not recorded the full value of 21 slot machines resulting in understating its capital assets and accounts payable by \$0.5 million at March 31, 2014.

Up-to-date records are important to ensure Liquor & Gaming has accurate and complete information when making decisions.

1. **We recommend that Saskatchewan Liquor & Gaming Authority verify, on a timely basis, information from its service provider on purchases and disposals of its slot machines to enable it to keep its financial records up to date.**

## 4.2 Policies and Procedures for Monitoring IT Security Needed

We recommended that Saskatchewan Liquor and Gaming Authority develop information technology security policies and procedures for monitoring information technology security. (2013 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

**Status – Not Implemented**

While Liquor & Gaming has processes for identifying security threats and detecting security incidents, it has not yet developed policies and procedures to monitor IT security and respond to security issues when they arise.

Failure to monitor IT security increases the risk of unauthorized access to IT systems and data without detection.

<sup>2</sup> Saskatchewan Liquor & Gaming Authority, *Annual Report for 2013-14*, <http://slga.gov.sk.ca/Prebuilt/Public/SLGA%20Annual%202014.pdf> (3 September 2014).



### 4.3 Implementation of Corporate-Wide Risk Framework Needed

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We recommended that Saskatchewan Liquor and Gaming Authority develop and implement an enterprise risk management framework and plan. (2012 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

**Status** – Partially Implemented

During 2013-14, Liquor & Gaming developed a draft risk management framework. The draft framework sets out the value of a corporate-wide risk assessment, the levels at which Liquor & Gaming intends to assess risk, and how it will rank and address risks. Management indicated that Liquor & Gaming intends to finalize and implement the framework during the 2014-15 fiscal year.

If risks are not identified, documented, and mitigated to an acceptable level, Liquor & Gaming increases the risk of not meeting its organizational goals and objectives.

### 4.4 Consistent Compliance with User Access IT Policies and Procedures Needed

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We recommended that Saskatchewan Liquor and Gaming Authority follow its approved information technology (IT) policies and procedures. (2007 Report – Volume 3; Public Accounts Committee agreement January 9, 2008)

**Status** – Not Implemented with respect to user access IT policies and procedures

During 2013-14, Liquor & Gaming staff continued to not consistently follow approved policies for granting and removing user access privileges to key IT systems. For example, we noted that Liquor & Gaming:

- ▶ Gave one individual access to an IT system that was not needed to carry out assigned responsibilities
- ▶ Gave two individuals conflicting access privileges to certain Liquor & Gaming IT systems that resulted in a lack of segregation of duties
- ▶ Did not remove IT access privileges of 10 individuals no longer in its employ, one of whom had access to the overall computer network

In our further testing, we did not find that these individuals used their inappropriate access.

Giving staff inappropriate user access increases the risk of fraud or inappropriate modification to data. Delays in removing unneeded user access increase the risk of unauthorized disclosure, inappropriate modification, or loss of data.

## Chapter 24

### Saskatchewan Research Council

#### 1.0 MAIN POINTS

Saskatchewan Research Council (SRC) had reliable financial statements. SRC had effective rules and procedures to safeguard public resources. SRC complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except that it did not obtain Lieutenant Governor in Council approval, as required by law, for the remuneration it pays to its Board members. Also, SRC did not report, to the Provincial Comptroller, losses resulting from fraud or potential illegal acts as required by the *Financial Administration Manual*.

#### 2.0 INTRODUCTION

SRC was established pursuant to section 3 of *The Research Council Act*. SRC conducts research and investigation in the fields of the physical sciences as they relate to the economy of the Province of Saskatchewan.<sup>1</sup>

#### 2.1 Financial Overview

In 2013-14, SRC had revenues of \$59.0 million and expenses of \$62.3 million. It held assets of \$44.0 million including tangible capital assets of \$28.4 million. Each year, SRC gives its annual report, including its audited financial statements, to the Legislative Assembly. The annual report can be found at [www.src.sk.ca](http://www.src.sk.ca).

#### 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2014:

- 1 The Saskatchewan Research Council had effective rules and procedures to safeguard public resources
- 2 The Saskatchewan Research Council complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter:

*The Research Council Act*  
*The Financial Administration Act, 1993*  
*The Tabling of Documents Act, 1991*  
 Orders in Council issued pursuant to the above Legislation

- 3 The Saskatchewan Research Council had reliable financial statements

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of the Saskatchewan Research Council's controls. The control framework defines control as comprising

<sup>1</sup> Saskatchewan Research Council *Annual Report 2013-14*, p. 18.



elements of an organization that, taken together, support people in the achievement of an organization's objectives.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Board Remuneration Needs Proper Approval

SRC has not obtained the appropriate approval of or made its board remuneration rates public.

Section 6 of *The Research Council Act* (Act) specifies that "Each member of the council who is not a government employee shall be paid any remuneration for his services and allowances for travelling and other expenses that may be determined by the Lieutenant Governor in Council."

An Order in Council is a directive issued by the Lieutenant Governor on the advice of Cabinet that authorizes a payment and makes the decision public.

In November 2009, Treasury Board approved an increase in board remuneration rates for members of SRC's Board. However, SRC has not obtained the Lieutenant Governor in Council's approval of this increase in rates. As such, the rates it pays its Board are not approved consistent with the requirements of its Act, or made public.

1. **We recommend that the Saskatchewan Research Council obtain Lieutenant Governor in Council approval, as required by law, for the remuneration it pays to its Board members.**

### 4.2 Losses Not Reported as Required

SRC did not report to the Provincial Comptroller as required by the *Financial Administration Manual* (FAM). FAM requires certain agencies (including SRC) to report losses resulting from fraud or potential illegal acts to the Provincial Comptroller. The Provincial Comptroller uses this information to prepare its public quarterly reports on losses.

In 2013-14, SRC incurred a loss as a result of a third party failing to remit to SRC proceeds from the sale of assets that SRC had consigned to the third party. These assets, when transferred to the third party, had a book value of about \$139,000. SRC does not know the amount of proceeds that the third party received from their sale, as the third party filed for bankruptcy.

2. **We recommend that the Saskatchewan Research Council report losses resulting from fraud or potential illegal acts as required by the Financial Administration Manual.**



## Chapter 25

### Saskatoon Regional Health Authority

#### 1.0 MAIN POINTS

For the year ended March 31, 2014, Saskatoon Regional Health Authority (Saskatoon RHA) had effective rules and procedures to safeguard public resources, and its financial statements were reliable. Also, Saskatoon RHA complied with authorities governing its activities.

During the year, Saskatoon RHA implemented our past recommendations related to security of its information technology (IT) systems and data.

#### 2.0 INTRODUCTION

On August 1, 2002, *The Regional Health Service Act* (Act) created Saskatoon RHA. Saskatoon RHA is responsible for the planning, organization, delivery, and evaluation of health services in its health region and any other area directed by the Minister.

For the year ended March 31, 2014, Saskatoon RHA had operating revenues totalling \$1.123 billion, expenses totalling \$1.122 billion, and an operating surplus of \$1.3 million. In addition, Saskatoon RHA had restricted fund revenues and expenses totalling \$29.1 million and \$47.5 million respectively. At March 31, 2014, Saskatoon RHA held assets of \$593.9 million.

#### 3.0 AUDIT CONCLUSIONS AND SCOPE

Our Office worked with KPMG LLP, the appointed auditor, to carry out the audit of the Saskatoon RHA. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>1</sup>

**In our opinion, for the year ended March 31, 2014:**

- ▶ **Saskatoon Regional Health Authority had effective rules and procedures to safeguard public resources**
- ▶ **Saskatoon Regional Health Authority complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Health Information Protection Act*  
*The Housing and Special-care Homes Act*  
*The Regional Health Services Act*  
*The Trustee Act, 2009*  
*The Tabling of Documents Act, 1991*  
 The Saskatoon Regional Health Authority Board Bylaws  
 Regulations and Orders in Council issued pursuant to the above legislation

- ▶ **Saskatoon Regional Health Authority's financial statements are reliable**

<sup>1</sup>See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).



We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of Saskatoon RHA's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In 2013-14, we examined the effectiveness of Saskatoon RHA's financial-related controls used to administer the revenues, expenses, and assets identified in **Section 2.0**. Also, we examined the effectiveness of the controls used to secure its information technology systems and data, keep reliable financial records, and prepare reliable financial reports.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and related recommendations.

### 4.1 Policies and Procedures for Security of Information Technology (IT) Systems and Data in Place

We recommended that Saskatoon Regional Health Authority establish information technology policies and procedures based on a threat and risk analysis. (2004 Report – Volume 3; Public Accounts Committee agreement October 25, 2005)

**Status – Implemented**

Saskatoon RHA has developed, approved, and implemented IT policies for effectively managing its IT infrastructure.

We recommended that all regional health authorities establish adequate disaster recovery plans and test those plans to ensure their effectiveness. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status – Implemented**

In October 2013, Saskatoon RHA tested its disaster recovery plan for its critical systems and made revisions to the plan based on the test results. Its Board of Directors approved the revised disaster recovery plan in April 2014.

## Chapter 26

### Social Services

#### 1.0 MAIN POINTS

This chapter reports the results of our audits of the Ministry of Social Services (Ministry) and its three special purpose funds. The 2014 financial statements of each fund are reliable. The Ministry complied with authorities governing its activities and the activities of its funds, and had effective rules and procedures to safeguard public resources except the Ministry needs to:

- ▮ Monitor the effectiveness of its information technology service provider's security to protect the Ministry's systems and data
- ▮ Test the effectiveness of its business continuity plan
- ▮ Follow its processes to ensure only appropriate recipients receive the correct amount of social assistance
- ▮ Work with community-based organizations (CBOs) to establish performance measures and targets and ensure CBOs comply with the Ministry's reporting requirements

#### 2.0 INTRODUCTION

The mandate of the Ministry is to support vulnerable citizens as they work to build better lives for themselves through economic independence, strong families, and strong community organizations. The Ministry assists these efforts with income supports, child and family services, supports for people with disabilities, and safe, affordable, accessible housing.<sup>1</sup>

#### 2.1 Financial Overview

The Ministry spent \$935.0 million from the General Revenue Fund to deliver its programs (see **Figure 1**). It also had revenues totalling \$28.7 million primarily from transfers from the federal government (e.g., special allowance for children in care).<sup>2</sup> Further information about the Ministry's revenues and expenses is available in its annual report.

<sup>1</sup> Ministry of Social Services, 2013-14 Annual Report, p. 3. [www.socialservices.gov.sk.ca](http://www.socialservices.gov.sk.ca) (9 September 2014).

<sup>2</sup> Ibid., p. 14 – 16.

Figure 1—Major Programs and Spending

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Central Management and Services	\$ 48.4	\$ 50.5
Income Assistance and Disability Services	607.1	636.2
Child and Family Services	209.9	219.6
Client Support	24.2	24.9
Housing	14.7	10.2
<b>Total Appropriation</b>	<b>904.3</b>	<b>941.4</b>
Capital Asset Acquisitions	(18.3)	(11.4)
Capital Asset Amortization	3.6	4.4
Capital Asset Write-Down	-	0.6
<b>Total Expense</b>	<b>\$ 889.6</b>	<b>\$ 935.0</b>

Source: Ministry of Social Services, 2013-14 Annual Report, p. 14.

## 2.2 Special Purpose Funds and Crown Agency

The Ministry is responsible for the following funds with March 31 year-ends and the Saskatchewan Housing Corporation which has a December 31 year-end. We reported the results of our 2013 audit of the Saskatchewan Housing Corporation in our *2014 Report – Volume 1*.

### Special Purpose Funds

Social Services Central Trust Account

Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund

Social Services Valley View Centre Residents' Trust Account

## 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2014:

- 1 The Ministry had effective rules and procedures to safeguard public resources except for the matters described in this chapter
- 2 The Ministry complied with the following authorities governing its and the funds' activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described in this chapter:

*The Child and Family Services Act*  
*The Child and Family Services Regulations*  
*The Child Care Act*  
*The Child Care Regulations, 2001*  
*The Department of Social Services Act*  
*The Rehabilitation Act*

*The Employment Supplement Regulations*  
*The Personal Care Home Benefit Regulations*  
*The Rental Housing Supplement Regulations*  
*The Saskatchewan Assistance Regulations*  
*The Saskatchewan Assured Income for Disability Regulations, 2012*



*The Saskatchewan Rehabilitation (Mentally Retarded Persons) Regulations*  
*The Vocational Rehabilitation Regulations*  
*The Residential Services Act*  
*The Private-service Homes Regulations*  
*The Residential-service Facilities Regulations*  
*The Saskatchewan Assistance Act*  
*The Benefit Adjustment Regulations*  
*The Disability Housing Supplement Regulations*

*The Transitional Employment Allowance Regulations, 2005*  
*The Saskatchewan Income Plan Act*  
*The Seniors Income Plan Regulations*  
*The Government Organization Act*  
*The Ministry of Social Services Regulations, 2007*  
 Orders in Council issued pursuant to the above legislation

» **The financial statements of each fund is reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of the Ministry's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined significant programs of the Ministry including corporate and support services, child welfare, income support for low income families, seniors and people with disabilities, social assistance for people out of work, housing, and services to support families and people with disabilities.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Better IT Monitoring Needed

We recommended that the Ministry of Social Services monitor the effectiveness of the Information Technology Office's security to protect the Ministry's computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status – Partially Implemented**

As previously reported and consistent with prior years, the Ministry continued to receive monthly service and user access reports from its service provider, the Information Technology Division of the Ministry of Central Services (ITD).<sup>3</sup> Those reports provided limited information on the security or availability of the Ministry's systems, and no information on the adequacy of ITD's controls or how weaknesses at ITD could impact the Ministry's IT systems and data.

Also, the Ministry did not consistently follow its process for promptly removing user access to its IT systems and data for individuals who are no longer under its employment. We found 6 out of 10 individuals that we tested did not have their access removed promptly. These individuals' access were removed 13 to 118 days after their last day of employment.

<sup>3</sup> Formerly called the Information Technology Office (ITO).



Without a complete security report, the Ministry does not know if ITD is meeting the Ministry's security and disaster recovery needs. Also, lack of timely removal of access for those who no longer work for the Ministry increases the risk of inappropriate access to the Ministry's systems and data.

## 4.2 Adequate Agreement Signed

We recommended that the Ministry of Social Services sign an adequate agreement with the Information Technology Office that includes network security and disaster recovery requirements. (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

**Status – Implemented**

During the year, the Ministry communicated specific Ministry disaster recovery requirements (e.g., time to restore, testing requirements) to ITD. Also, it improved its agreement with ITD to include its network security and disaster recovery requirements.

As reported in **Section 4.1**, the Ministry needs to monitor the effectiveness of ITD to meet the Ministry's security and disaster recovery needs.

## 4.3 Tested Business Continuity Plan Needed

We recommended that the Ministry of Social Services complete its business continuity planning by testing its business continuity plan. (2003 Report – Volume 3; Public Accounts Committee agreement September 28, 2004)

**Status – Partially Implemented**

In 2013-14, the Ministry reviewed and updated its business continuity plan.<sup>4</sup> The updated plan includes a risk-based approach to determine the frequency of testing of the plan at the Ministry's various locations. On October 6, 2014, management indicated that the Ministry approved the plan in September 2014 and has begun testing its effectiveness.

The Ministry needs an approved and tested business continuity plan to ensure that it can continue operations and its critical systems can be recovered in a timely way in the event of a disaster.

<sup>4</sup> Business Continuity Plan (BCP) – Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operation of the organization's critical operations and functions including normal operations of computerized systems. A disaster recovery plan is part of a BCP.

#### 4.4 Processes for Social Assistance Payments Need to be Followed

We recommended that the Ministry of Social Services follow its established processes that ensure only eligible clients receive assistance and that they receive the correct amount of assistance. (2000 Report – Volume 3; Public Accounts Committee agreement June 6, 2011)

**Status – Partially Implemented**

In 2013-14, the Ministry made payments totalling about \$320 million to social assistance clients.<sup>5</sup>

The Ministry has established detailed policies and procedures that set out how its staff should calculate, verify, and authorize payments to social assistance clients. However, as we have reported for many years, the Ministry's employees do not consistently follow these established policies and procedures. For example, Ministry employees did not consistently assess recipients' financial needs or include adequate documentation for assistance payments in client files. We found instances where the assistance payments that were approved were not in accordance with policy.

The lack of compliance with Ministry policies could result in some recipients receiving incorrect amounts of social assistance.

#### 4.5 Some Improvements in Supervision of Community-Based Organizations Noted

We recommended that the Ministry of Social Services work with community-based organizations (CBOs) to establish performance measures and targets that better allow it to assess the CBOs' progress in achieving the Ministry's operational objectives. (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

**Status – Partially Implemented**

Community-based organizations (CBOs) provide, on the Ministry's behalf, programs such as group homes, services to enable people to live in their own homes (who otherwise could not), and youth-at-risk intervention programs. For the year ended March 31, 2014, the Ministry paid about \$225 million to over 200 CBOs that provide services on its behalf.

As with our prior year report, the Ministry's agreements with CBOs do not include performance measures and targets for the program objectives and outcomes set out in the agreements. Management advised us that the Ministry is piloting a test program of

<sup>5</sup> A person who seeks social assistance is called a client.



performance measures and targets for nine CBOs during 2014-15. If successful, the Ministry expects to expand the program to all CBOs.

Performance measures and targets would allow the Ministry to assess CBO performance (e.g., whether money paid to CBOs achieved the results the Ministry has intended).

We recommended that the Ministry of Social Services perform timely reviews on all the performance information submitted by the community-based organizations. (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

**Status – Partially Implemented**

The Ministry requires, through its service agreements, CBOs to submit operational reports that describe services and activities, and quarterly and annual financial reports.

In 2013-14, the Ministry received all the required reports from CBOs and completed timely reviews of those reports. However, the Ministry continues to receive reports late. For example, for the files we reviewed, 23% of the CBOs' audited financial statements and 13% of the CBOs' quarterly financial reports were submitted late (2012-13: 23% and 18% respectively).

The Ministry needs to enforce its agreements with CBOs to receive reports by the deadlines set out in the agreements. Not receiving reports from CBOs when expected increases the risk that the Ministry will not be able to take timely corrective action as needed.



## Chapter 27

### Teachers' Dental Plan

#### 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Teachers' Dental Plan (Plan) for the year ended June 30, 2014.

The Teachers' Superannuation Commission (Commission) had effective rules and procedures to safeguard the Plan's public resources except it needs to:

- Have adequate support for dental payments
- Establish guidance for preparing financial statements for the Plan and for inclusion in the Commission's annual report

During the year, the Commission implemented processes to monitor its dental agreement with the insurance provider.

Also, the Commission complied with authorities governing the Plan's activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the lack of adequate support for dental payments.

#### 2.0 INTRODUCTION

The Teachers' Superannuation Commission manages and administers the Plan. The Plan provides Saskatchewan teachers and their dependents with coverage for certain dental services. The Commission uses an insurance company (service provider) to help administer the Plan.

The Ministry of Education (through the General Revenue Fund) pays for all of the dental services provided through the Plan. During 2013-14, the Commission paid \$11 million for dental claims and related administrative costs.

#### 3.0 AUDIT CONCLUSIONS AND SCOPE

**In our opinion, for the year ended June 30, 2014:**

- The Teachers' Superannuation Commission had effective rules and procedures to safeguard the Plan's public resources except for the matters reported in this chapter
- The Teachers' Superannuation Commission complied with the following authorities governing the Plan's activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the need for adequate support for dental payments:



*The Teachers' Dental Plan Act*  
*The Teachers' Superannuation and Disability Benefits Act*  
*The Financial Administration Act, 1993*  
Orders in Council issued pursuant to the above legislation

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of the Commission's controls over the Plan. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives. Because dental payments made to members are a significant audit area, we tested a sample of dental payments to verify the eligibility and accuracy of the claims and compliance with governing authorities.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Reconciliation Process for Dental Payments Needed

We recommended that the Teachers' Superannuation Commission have adequate support for dental payments. (2009 Report – Volume 1; Public Accounts Committee agreement September 1, 2009)

**Status – Partially Implemented**

At September 2014, the Commission had nearly completed its development of a system to reconcile the details of claims made with the monthly claims paid report (dental reconciliation process). The Commission indicated that completion of this development was delayed because of staff turnover. Once completed, the Commission plans to use the reconciliation to ensure that it can match the details of claims to payments made, and follow up differences to ensure that payments are made only to eligible teachers for eligible services.

### 4.2 Processes to Monitor Dental Agreement Implemented

We recommended that the Teachers' Superannuation Commission implement adequate processes to establish and monitor its dental agreement with the insurance provider. (2010 Report – Volume 1; Public Accounts Committee agreement January 19, 2011)

**Status – Implemented**

Effective January 2013, the Commission updated its dental agreement with its insurance provider. The revised agreement requires the insurance provider to give the Commission certain documentation and to communicate with it during resolution of disputes between the service provider and claimants (teachers).

During the year, the Commission monitored compliance with the dental agreement through its monthly review of reports received from its service provider, and its audit of dental claims. The Commission uses its monthly audits of claims to check the accuracy of claims the insurance provider processed. Each month, for a sample of dental claims, staff agree the details of the claim processed to supporting documents. This includes checking the eligibility and level of coverage of the claimant, proper completion of claims forms, and details on forms to related support.

### 4.3 Reporting Improvements Awaiting Completion of Reconciliation Process

We recommended that the Teachers' Superannuation Commission establish complete and written guidance for preparing interim and year-end financial reports. (2008 Report – Volume 1; Public Accounts Committee agreement June 17, 2008)

**Status** – Partially Implemented

We recommended that the Teachers' Superannuation Commission annual report include the financial statements of each benefit plan the Commission administers. (2008 Report – Volume 1; Public Accounts Committee agreement June 17, 2008)

**Status** – Partially Implemented as it relates to the Teachers' Dental Plan

Consistent with our previous report (2013 Report – Volume 2), after the Commission establishes the dental reconciliation process described in **Section 4.1**, it plans to:

- 1 Complete written guidance for preparing interim and year-end financial reports for the Dental Plan
- 2 Prepare the financial statements for the Dental Plan and include them in the Commission's annual report. Consistent with prior years, the Commission continued to provide summarized financial information about the Dental Plan





## Chapter 28

### Water Security Agency

#### 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Water Security Agency (Agency) for the year ended March 31, 2014.

The Agency complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, the Agency's 2014 financial statements are reliable.

The Agency had effective rules and procedures to safeguard public resources except it needs to complete its business continuity plan.

#### 2.0 INTRODUCTION

The Agency is mandated to integrate all aspects of provincial water management to ensure water supplies support economic growth, quality of life, and environmental well-being. The Agency supports the protection of drinking water, flood and drought response, and management of water supplies, water quality, and aquatic habitat. The Agency also owns and operates provincial dams and water supply channels.

At March 31, 2014, the Agency held assets of \$403.8 million and had liabilities of \$28.2 million. During the year ended March 31, 2014, the Agency had annual revenue of \$89.8 million and had a surplus of \$37.8 million. Each year, the Agency gives its annual report, including its audited financial statements, to the Legislative Assembly. The annual report can be found at [www.wsask.ca](http://www.wsask.ca).

#### 3.0 AUDIT CONCLUSIONS AND SCOPE

Our Office worked with Deloitte LLP, the appointed auditor, to carry out the audit of the Agency. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>1</sup>

**In our opinion, for the year ended March 31, 2014:**

- 1 The Agency had effective rules and procedures to safeguard public resources except for the matter described in this chapter
- 2 The Agency complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

*The Water Security Agency Act*  
*The Saskatchewan Watershed Authority Regulations*  
*The Drainage Control Regulations*

<sup>1</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).



*The Water Power Act*  
*The Water Power Rental Regulations*  
*The Crown Employment Contracts Act*  
*The Financial Administration Act, 1993*  
Order in Council issued pursuant to the above legislation

### **The Agency had reliable financial statements**

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of the Agency's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

## **4.0 KEY FINDING AND RECOMMENDATION**

In this section, we outline a key observation from our assessments and the resulting recommendation.

### **4.1 Complete Business Continuity Plan Needed**

We recommended that the Water Security Agency implement and test a business continuity plan. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

#### **Status – Partially Implemented**

The Agency must carry out its mandate, even if a disaster disrupts its ability to deliver programs and services in the usual manner. During the year, the Agency continued to take steps for the recovery and restoration of its key information technology (IT) systems (e.g., water measurement systems) that support its business critical services. Without a complete and tested business continuity plan, the Agency is at risk of not being able to deliver its business critical programs and services in a timely manner.

## Chapter 29

### Summary of Implemented Recommendations

#### 1.0 MAIN POINTS

This chapter provides an update on recommendations that were implemented and are not discussed elsewhere in this Report.

#### 2.0 SUMMARY OF IMPLEMENTED RECOMMENDATIONS

**Figure 1** sets out, by agency, the recommendation(s) and highlights key actions taken by each agency to implement its recommendation(s).

**Figure 1—Implemented Recommendations**

Past Recommendation (Initial PAS Report, Date of Agreement of PAC)*	Key Actions Taken to Implement Recommendation
<b>General Revenue Fund</b>	
We recommended that the Government use Canadian generally accepted accounting principles for the public sector to prepare the General Revenue Fund's financial statements. (2013 Report – Volume 2; Public Accounts Committee considered January 13, 2014)	<p>This recommendation is no longer relevant as financial statements for the General Revenue Fund (GRF) are no longer required to be prepared by law.</p> <p>Consistent with its March 19, 2014 announcement,<sup>1</sup> the Government discontinued preparing financial statements for the GRF and moved its 2014-15 budget and 2013-14 financial statements to a summary focus. A summary focus includes the financial activity for all organizations that the Government controls.</p> <p>Also, <i>The Financial Administration Act, 1993</i> was amended, effective April 1, 2013, to remove the requirement for the Government to prepare and the Provincial Auditor to audit GRF financial statements.</p> <p>As a result, the Government's 2013-14 <i>Public Accounts – Volume 1</i>, released on June 26, 2014, included only the audited Summary Financial Statements (SFS). The SFS are prepared using Canadian generally accepted accounting principles for the public sector, and are the appropriate statements to use to understand the financial results of the Government of Saskatchewan.</p>
<b>Health Shared Services Saskatchewan (3sHealth)</b>	
We recommended that Health Shared Services Saskatchewan (3sHealth) revise its Board remuneration policy to make it consistent with other public sector agencies for not remunerating directors employed within the Government of Saskatchewan and comply with the revised policy. (2013 Report – Volume 2; Public Accounts Committee agreement March 12, 2014)	In January 2014, 3sHealth's Board approved a revised Board remuneration policy that is consistent with those of other public sector agencies.

\* Government of Saskatchewan, *Saskatchewan Provincial Budget 14-15*.

Past Recommendation (Initial PAS Report, Date of Agreement of PAC)*	Key Actions Taken to Implement Recommendation
<b>Office of the Executive Council</b>	
We recommended that the Office of the Executive Council use Canadian generally accepted accounting principles for the public sector to budget and account for system development costs. (2013 Report – Volume 2; Public Accounts Committee agreement April 16, 2014)	During 2013-14, the Office of the Executive Council appropriately used Canadian generally accepted accounting principles for the public sector to budget for anticipated 2014-15 capital costs and to account for 2013-14 capital costs incurred to develop the new Government of Saskatchewan website ( <a href="http://www.saskatchewan.ca">www.saskatchewan.ca</a> ).

PAS – Provincial Auditor Saskatchewan

PAC – Standing Committee on Public Accounts





## **Performance Audits**

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## Chapter 30

### Central Services—Processes to Use Consultants

#### 1.0 MAIN POINTS

The Ministry of Central Services (Ministry) uses the services of consultants to help achieve its goals. For the 16-month period ending May 31, 2014, the Ministry's processes to use consultants were not effective. The Ministry needs to:

- 1 Establish policies to guide:
  - When to use an employee as opposed to hiring a consultant
  - When and how to conduct a final evaluation of a consultant's performance
- 2 Identify and document, prior to beginning the process of engaging a consultant, the reasons why a consultant is required
- 3 Improve its agreements with consultants to include:
  - Services to be provided, in sufficient detail to permit evaluation of consultant performance
  - Provisions for monitoring and evaluation
  - Dispute resolution
- 4 Document reasons for the need to extend a contract with a consultant, prior to extending a contract

#### 2.0 INTRODUCTION

The mission of the Ministry is to use leadership, expertise, and innovative practices to provide services and infrastructure that support the Government's program delivery.<sup>1</sup> The Ministry's mandate includes providing centralized support services to Government ministries and agencies (including providing reliable transportation, providing stable computer networks, acquiring office space, implementing new telecommunications technology, and providing reliable mail and email services), and charging for those services.<sup>2</sup>

The Ministry uses the services of consultants to help achieve its goals. Typically, consultants provide expertise and necessary human resource capacity for specific periods of time or in relation to specific projects, in areas where an agency's existing resources are not sufficient. This chapter reports the results of our audit of the Ministry's processes to use consultants.

#### 2.1 Background—Using Consultants

Section 15 of *The Government Organization Act* allows the Ministry to engage the services of or retain any technical, professional, or other advisors, specialists or

<sup>1</sup> Ministry of Central Services Regulations set out the duties and responsibilities of the Ministry.

<sup>2</sup> Ministry of Central Services, 2012-13 Annual Report, p. 5.



consultants considered necessary. The Ministry uses consultants in a variety of areas in carrying out its responsibilities.

Over the last six years, the Ministry of Central Services' overall spending on consultants increased 168% to approximately \$22 million on 83 consultants/consulting firms in 2013-14. Over the same period, spending on technical, specialized, management, and systems consultants for all Government of Saskatchewan ministries has increased 228% (see **Figure 1**) to over \$120 million for the year ended March 31, 2014.

**Figure 1 – Six-Year Trend of Consulting Expenses (in thousands)**

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Total Ministry of Central Services*	\$8,087	\$12,344	\$9,462	\$9,615	\$13,747	\$21,696
Total all ministries	\$36,657	\$52,086	\$70,302	\$75,452	\$98,040	\$120,321

Source: Multi-Information Database Applications System – Financials (MIDAS Financials), codes 521100 (Specialized, Technical and Management Consulting) and 521900 (System Consulting).

\*Ministry of Central Services – for comparison purposes, this includes information for vote 13 (previously the Ministry of Government Services) and vote 74 (previously the Information Technology Office).

In its 2010-11 Budget, the Government announced a four-year plan to reduce the size of the public service (i.e., staff employed by ministries) by 15% (Workforce Reduction Strategy).<sup>3</sup> If there are no policies or effective processes for identifying the need for consultants, specifying required services, and defining projects, then resources may be spent unnecessarily or inefficiently. Failing to properly assess requirements and existing capabilities could result in the use of a consultant when existing staff could complete the project/task, or using a consultant without reasonable justification of the need for a consultant's specialized expertise or services.

If the Ministry does not have processes to retain or transfer needed skills or knowledge, then it may rely on consultants for longer periods at a greater expense than hiring permanent employees. If procurement of services is not undertaken fairly and impartially, the Ministry may not select the most suitable consultant, not achieve intended results, pay more than intended, and not receive the best value. Unfair procurements would damage the reputation of the Government.

There is also the risk that consultants will not be properly monitored and evaluated, and that evaluation information will not be available or used when considering whether to continue using a consultant, or in subsequent service procurement decisions. As a result, the Ministry could end up making poor or unsupported decisions on the use of consultants.

### 3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to examine whether the Ministry of Central Services had effective processes to use consultants for the 16-month period ending May 31, 2014. The audit focused on the Ministry of Central Services' use of specialized, technical, management, and system consultants.

<sup>3</sup> Estimated ministry full-time equivalent staff complement was 12,189.7 in the 2010-11 Estimates (p. 167) and 10,945.5 in the 2014-15 Estimates (p. 155).

We examined the Ministry's policies and procedures that relate to its use of consultants. We examined a sample of the Ministry's agreements and related documents, examined proposal evaluations and tendering documents, reviewed evidence of communications (e.g., emails), and interviewed the Ministry's staff.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. The Ministry's management agreed with the criteria (see **Figure 2**).

**Figure 2—Audit Criteria**

To have effective processes to use consultants, the Ministry should:

- 1. Set policies for the use of consultants**
  - 1.1 Develop and approve policies for the use of consultants
  - 1.2 Update the policies periodically
  - 1.3 Communicate the policies
- 2. Identify the need and define the specifications for required services**
  - 2.1 Document the services required in sufficient detail
  - 2.2 Select an appropriate procurement method
  - 2.3 Communicate specifications of the services required for tendering
  - 2.4 Specify other requirements (e.g., criminal record check, disclose potential conflicts, guarantees)
- 3. Select consultants using a fair and transparent process**
  - 3.1 Evaluate consultant proposals using established criteria
  - 3.2 Document reasons for the selection of a consultant
  - 3.3 Obtain approvals to engage the selected consultant
  - 3.4 Communicate the results of the procurement
- 4. Document the agreement with the consultant and include appropriate provisions**
  - 4.1 Set out the services to be provided in appropriate detail
  - 4.2 Specify the period for the agreement
  - 4.3 Specify the compensation to be paid
  - 4.4 Set out the reporting relationship for the consultant
  - 4.5 Set rules for extensions, follow-up contracts, or changes to the agreement
  - 4.6 Permit the transfer of knowledge and skills to permanent employees, where applicable
  - 4.7 Provide for monitoring and evaluation of the consultant
- 5. Monitor the performance of consultants**
  - 5.1 Evaluate consultants during and after the period of the agreement
  - 5.2 Conduct a final evaluation on the use of the consultant
  - 5.3 Use evaluations to assist subsequent decisions regarding the use and selection of consultants

We concluded that for the 16-month period ended May 31, 2014, the Ministry of Central Services' processes for the use of consultants were not effective. The Ministry needs to:

- Establish policies to guide:
  - When to use an employee as opposed to hiring a consultant
  - When and how to conduct a final evaluation of a consultant's performance
- Identify and document, prior to beginning the process of engaging a consultant, the reasons why a consultant is required
- Improve its agreements with consultants to include:
  - Services to be provided, in sufficient detail to permit evaluation of consultant performance
  - Provisions for monitoring and evaluation
  - Dispute resolution
- Document reasons for the need to extend a contract with a consultant, prior to extending a contract





## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 2**.

### 4.1 Policy Required to Guide Hiring of Consultants

The Ministry of Central Services, like other ministries, must follow the *Financial Administration Manual (FAM)*<sup>4</sup> which sets out and communicates to ministries and selected agencies, Treasury Board policies and Provincial Comptroller directives for the control, management, and accounting of government financial resources. We expected the Ministry to have policies that were consistent with applicable sections of FAM, addressed when to use an employee as opposed to a consultant, helped ensure that there were no conflicts of interest, and helped ensure that an employee/employer relationship was not unintentionally created. We expected policies to be updated periodically and that they would be communicated to the Ministry's staff.

The Ministry communicates its policies and guides internally, and also posts some information on its public website, SaskTenders (sasktenders.ca). On this website, the Ministry shares templates, makes applicable legislation readily available, and includes guides, such as the *Guide to Prepare a Request for Proposal (RFP)* and the *Guide to Procurement*.<sup>5</sup>

The Ministry also has documented guidelines, templates, and handbooks for its staff. These documents give staff information and guidance for the use of consultants as well as other types of procurement. The Ministry has processes to regularly update policies and guides.

However, the Ministry did not provide its staff with guidance on determining when it is appropriate to seek a consultant's services as opposed to using in-house resources (such as employees) to address the same need. Such guidance could include analysis of cost-benefits of each arrangement over the term of the service, and consideration of the need to maintain in-house knowledge/expertise, time constraints, and sensitivity of the services to be provided. Without this guidance, there is a risk that the Ministry could establish a consulting relationship that is not necessary or not appropriate in the circumstances. Furthermore, without such guidance, the Ministry is at risk of spending more on consultants than it would by acquiring similar skills through hiring and training employees.

- 1. We recommend that the Ministry of Central Services establish a policy that guides when to use an employee as opposed to hiring a consultant.**

<sup>4</sup> [www.finance.gov.sk.ca/fam/toc](http://www.finance.gov.sk.ca/fam/toc) (25 September 2014).

<sup>5</sup> These guides provide information for ministries and public agencies on authorities and processes for procurement.

## 4.2 Identify and Document Reasons for Hiring Consultants

We expected the Ministry to document the consulting services required in detail, select an appropriate procurement method, communicate the specifications of the services required for tendering, and specify any other requirements as necessary.

The Ministry documented appropriate justification for the procurement methods chosen when it sought consultant services. It used different procurement methods depending on the services sought. These included requests for proposals (RFPs), sole-sourcing, use of the Ministry's Advanced Contract Award Notice (ACAN), and "callouts" to pre-qualified supplier lists. See **Figure 3** for brief descriptions of these methods.

**Figure 3—Brief Description of Selected Procurement Methods**

**Request for Proposal:**

A request for proposal or request for quotation are open invitations to suppliers inviting them to submit bids for supplying specified goods and/or services.

**Sole-Sourcing:**

Where there is only one possible vendor.

**Advance Contract Award Notice (ACAN):**

Where notices are posted on SaskTenders to formally notify suppliers of the Ministry's intention to award a contract to a selected supplier without a competition. The Ministry must post ACANs for a minimum of 10 business days to give suppliers an opportunity to challenge the use of an ACAN.

**Callouts:**

A "callout" is when the Ministry seeks to contract for services from its list of pre-qualified suppliers. To establish the Ministry's pre-qualified supplier lists, the Ministry:

- 1 Sends out requests for proposals for specific services for which the Ministry anticipates it will need contractors
- 2 Evaluates these proposals
- 3 Communicates the results to both successful and unsuccessful candidates

When resources are needed, the Ministry sends out a specific request, or "callout" to the pre-qualified vendors, that includes details of the services to be provided. Vendors submit resumes, and the Ministry conducts an evaluation that includes interviews, in order to determine the successful candidate.

Source: Provincial Auditor Saskatchewan based on information from the Ministry.

Where its selected procurement method required an advertisement, the Ministry appropriately communicated the specifications for the services that were being sought, and included other information such as requirements for criminal record checks. However, we found that over 70% of the contracts with consultants that we tested did not document why a consultant was preferred over using in-house resources. For example, we tested one contract for application development services for a maximum of \$183,000 over one year, and one contract for providing project management services for a maximum of \$930,000 over three years, that did not have documentation explaining why a consultant was needed rather than using in-house resources. When we discussed the contracts without the expected documentation, management provided explanations for why most consultants were needed (e.g., resources with required skill sets were not available in-house). These rationales did not explain the decision to hire a consultant versus hiring an in-house resource. The Ministry should document such justifications prior to entering into contracts.



Not assessing the need for use of a consultant, and not documenting this assessment prior to engaging a consultant increases the risk that hiring a consultant is not necessary or the most cost-effective approach.

2. We recommend that the Ministry of Central Services identify and document, prior to beginning the process of engaging a consultant, the reasons why a consultant is required.

### 4.3 Need to Communicate Information on Procurement Decisions

We expected that the Ministry would have processes to evaluate candidates using established criteria, would document the reasons for selecting a particular consultant, and would obtain approvals to engage the selected consultant. We expected that the Ministry would communicate the results of the procurement to both the successful and unsuccessful bidders.

We tested the Ministry's process to evaluate candidates. We found that its process included setting criteria for evaluating consultants' bids or proposals based on the work to be done, using these criteria to assess and rank each proposal, and then choosing the successful candidate(s) based on this assessment. We found that the Ministry used templates to assist it in conducting evaluations of prospective consultants, and that staff used the guides available to conduct these evaluations. After selecting the consultant, the Ministry obtained approvals consistent with its existing policies to engage the selected consultant.

The Ministry consistently communicated results of procurements to successful bidders. Instead of consistently communicating to individual unsuccessful candidates to help them understand why their bid was rejected, the Ministry, through a guide on its public website ([www.sasktenders.ca](http://www.sasktenders.ca)), advised unsuccessful candidates they could contact the Ministry for a debriefing of their proposal. Our testing found that, for 10% of items tested, the Ministry provided debriefing information to unsuccessful candidates.

### 4.4 Improved Documentation of Agreements Required

We expected that the Ministry would have agreements with its consultants that:

- 1. Specify the period for the agreement
- 2. Specify the compensation to be paid
- 3. Set out the services to be provided in appropriate detail
- 4. Set out the reporting relationship for the consultant
- 5. Set rules for extensions, follow-up contracts, or changes to the agreement

- 1 Permit the transfer of knowledge and skills to permanent employees, where applicable
- 2 Provide for dispute resolution, monitoring, and evaluation of the consultant

For the sample of agreements with consultants we examined, we found that the Ministry documented the period for the agreement and the compensation to be paid in appropriate detail, and provided for transfer of knowledge and skills to Ministry employees where it was appropriate.

Detail about services to be provided by the consultants should be documented in the agreement and related documents, such as the ACAN or callout. For 17% of the agreements that we tested, there was not an appropriate amount of detail in these documents of the services to be provided. For example, one contract stated that the consultant would “support various applications” but did not list the applications. Not documenting the services to be provided in sufficient detail increases the risk that the Ministry will not receive appropriate or adequate services and will not be able to evaluate the performance of the consultant.

Over 90% of the contracts we examined did not specify the position to whom the consultant was to report to at the Ministry, or specify how consultants would be monitored and evaluated. If agreements do not clearly set out these requirements, there is greater risk that consultants will not be effectively monitored and evaluated (see **Section 4.5**).

Also, the agreements did not include dispute resolution clauses. Without a dispute resolution mechanism, there is an increased risk that disagreements will not be effectively or efficiently resolved.

**3. We recommend that the Ministry of Central Services improve its agreements with consultants to include:**

- Services to be provided, in sufficient detail to permit evaluation of consultant performance**
- Provisions for monitoring and evaluation**
- Dispute resolution**

The agreements we examined included appropriate provisions for extensions, follow-up contracts, and changes to the agreements. However, in almost one-half of the cases where an agreement was extended, we found the Ministry did not document its rationale to support extending the term of the agreement. Not documenting the reasons for extending the terms of agreements increases the risk that the Ministry will decide to contract for unneeded services or extend agreements with consultants who are not performing at the expected levels.

**4. We recommend that the Ministry of Central Services document, prior to extending an agreement with a consultant, the reasons for the need to extend the agreement.**





## 4.5 Need to Guide Evaluation of Consultant Performance

We expected that the Ministry would evaluate consultants during and after the period of the agreement, conduct a final evaluation on the performance of consultants, and use information from evaluations to assist in subsequent decisions regarding the use and selection of consultants.

The Ministry has an informal process to take into consideration past performance of a consultant prior to engaging the consultant for a new project. The Ministry also maintains information on progress of contracts. However, currently the Ministry does not require or do a final written evaluation of the consultant's performance. Not carrying out effective evaluations or not completing evaluations when expected increases the risk that the Ministry may engage consultants with past performance problems which in turn could impact the quality and cost of the services received.

There may be some engagements where a final evaluation would not be necessary. For example, it may not be useful to evaluate a low-dollar, one-time engagement where the Ministry does not expect to use the consultant again.

At May 2014, the Ministry did not require a final evaluation of its consultants. As noted in **Section 4.4**, over 90% of the contracts we examined did not provide for monitoring and evaluation of the consultant. Also, the Ministry did not provide guidance on determining when and how to complete a final evaluation, and how to document it. Not providing such guidance increases the risk that staff may not carry out effective evaluations.

5. We recommend that the Ministry of Central Services establish a policy that guides when and how to conduct a final evaluation of a consultant's performance.

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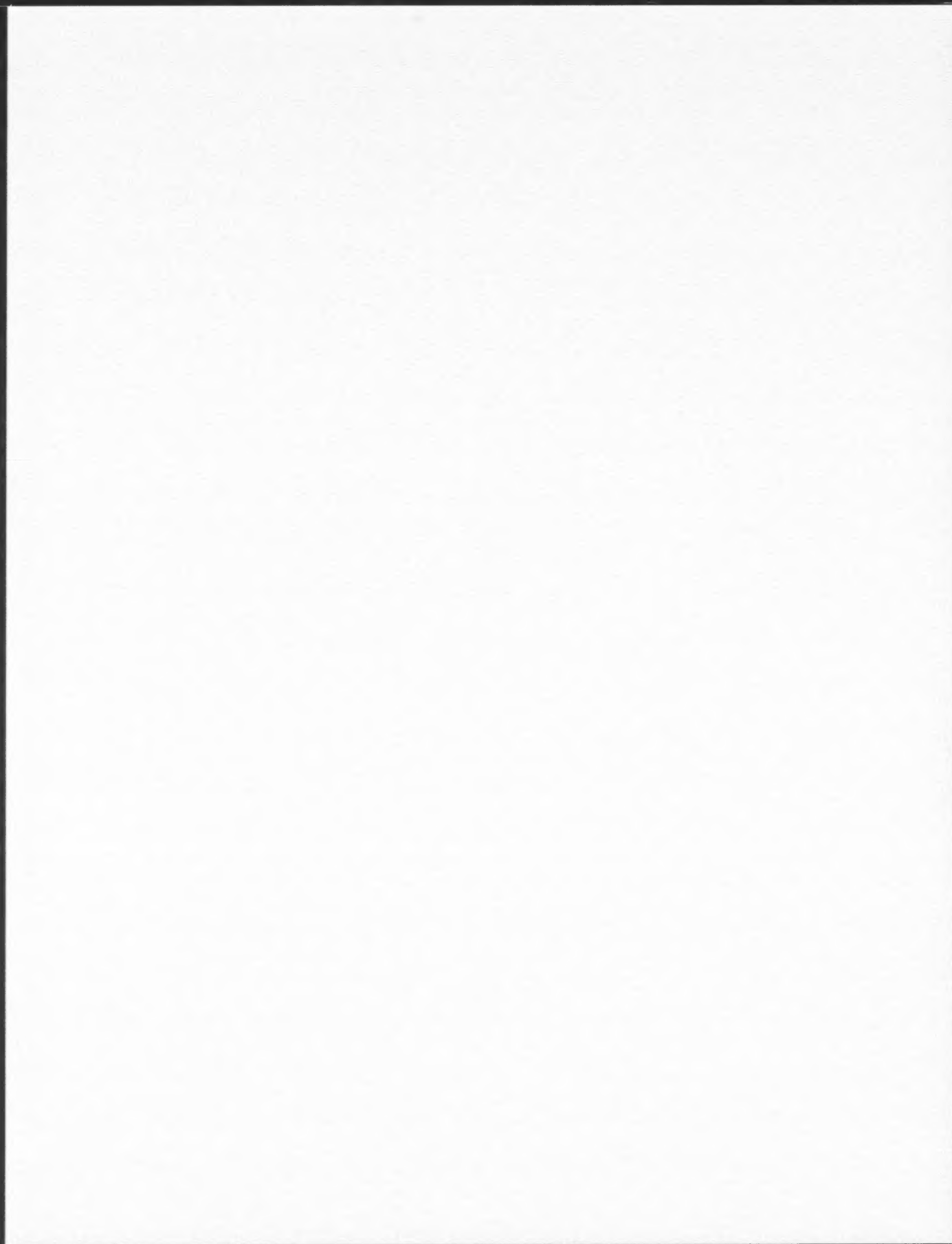
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## Chapter 31

### Conseil scolaire fransaskois—Financial Management and Governance Practices

#### 1.0 MAIN POINTS

On June 11, 2014, Cabinet, through Order in Council 308/2014, asked our Office to examine the financial management and governance practices of Conseil scolaire fransaskois (CSF; also referred to as Conseil des écoles fransaskois No. 310). In response to Cabinet's request, this chapter reports the results of our audit of CSF's financial management and governance practices.

CSF is Saskatchewan's first-language French school system. Effective financial management and governance practices are necessary to enable CSF to make sound decisions for the education of students. Without effective practices, CSF may not use resources effectively, leading to reductions in the quality or availability of Francophone educational programming in Saskatchewan.

For the 12-month period ended August 31, 2014, we found that Conseil scolaire fransaskois did not have effective financial management and governance practices. It needs processes to develop required Board competencies, and needs to establish governance and financial policies and procedures necessary to manage its financial operations.

We make 10 recommendations to assist CSF in improving its financial management and governance practices.

#### 2.0 INTRODUCTION

In 2013-14, the Government expressed concern with the financial position of CSF for various reasons. These reasons included requests from CSF for increases in funding, authority for increased borrowings, and advances on its operating grants.<sup>1</sup> In 2013-14, the Ministry of Education provided CSF with advances on its monthly operating grant on two separate occasions upon CSF's request.

For a number of years, CSF has expressed concern about the sufficiency of funding from the Government and has taken the Government to court to seek additional funding.

On June 11, 2014, Cabinet, through Order in Council 308/2014, asked our Office to examine the financial management and governance practices of CSF. In response to Cabinet's request, this chapter reports the results of our audit of CSF's financial management and governance practices.

See **Section 6.0** for definitions of key terms used throughout this chapter.

<sup>1</sup> [www.saskatchewan.ca/government/news-and-media/2014/june/12/csf-audit](http://www.saskatchewan.ca/government/news-and-media/2014/june/12/csf-audit) (26 September 2014).



## 2.1 Key Responsibilities Assigned by Law

*The Education Act, 1995* (Act) gives the Minister of Education (Minister) responsibility for early learning, elementary, and secondary education (sections 3(1) and 3(1.1)). The Act makes the Ministry of Education (Ministry) responsible for overseeing school divisions, including CSF. For example, the Act requires the Ministry to review and approve CSF's program objectives and its estimated revenues and expenditures prior to expenditures being incurred (sections 278(1) and 280).

The Act establishes CSF as a corporation and its conseil scolaire (Board) (section 42.1). The Act recognizes CSF as Saskatchewan's first-language French school system alongside Saskatchewan's public and separate (e.g., Catholic) school systems. Both the public and separate school systems are English-language school systems that may include French immersion<sup>2</sup> programs.

As of June 2014, CSF operated a total of 15 francsaskois schools with approximately 1,900 students. Unlike other Saskatchewan school divisions, CSF's schools are geographically dispersed across the province within nine Francophone education areas (see **Exhibits 5.1** and **5.2**).

The Act gives CSF's Board various duties and responsibilities, including the requirement to establish policies that guide its management and supervision (section 86(c)). The Act also requires CSF to keep a full and accurate record of its transactions and financial affairs (section 86(r)), and to prepare budgets and any other operational reports that may be required by the Minister (section 86(v)).

The Act requires CSF's Board to consist of one trustee elected from each of the nine Francophone education areas (section 42.1(3), 64(2)). Each education area is defined by geographic boundaries within which "right-holder parents"<sup>3</sup> may exercise their right to have their children educated at a francsaskois school, in accordance with the Act (section 143) and section 23 of the *Canadian Charter of Rights and Freedoms*.<sup>4</sup>

Each of the 15 francsaskois schools must have a conseil d'école (i.e., local board of trustees) consisting of between three and eight locally-elected members (section 134.1). Conseils d'école provide parents with a vehicle to express concerns, give advice, make recommendations to the Board of CSF, and participate in long-term planning for school programs and activities.<sup>5</sup> While the Act permits CSF's Board to delegate certain authorities to conseils d'école, at August 2014, it had not delegated any decision-making authority to them.

<sup>2</sup> French Immersion is a form of bilingual education in which a child who does not speak French as his or her first language receives instruction in school in French.

<sup>3</sup> A right-holder parent is a parent whose first language is French and who still understands French, who received an elementary education in French, or whose child has received or is receiving an education in French at the elementary or secondary level. In some cases, non-right-holders can also gain access to a Francophone education for their children. Requests for admission by non right-holders are considered by the Conseil scolaire francsaskois upon recommendation by the local school's Conseil d'école.

<sup>4</sup> Section 23 of the *Canadian Charter of Rights and Freedoms* sets out minority language educational rights in Canada.

<sup>5</sup> <http://cfsk.ca/EN/ConseilEcole/index.html>, (9 October 2014).

## 2.2 Financial Overview

CSF has a fiscal year-end of August 31. **Figure 1** sets out CSF's actual financial results and the number of students enrolled at CSF schools (student enrolment) since 2009-10.

In 2012-13, CSF had revenues<sup>6</sup> of \$43.0 million and expenses of \$39.4 million resulting in an annual surplus of \$3.6 million. At August 31, 2013, it had assets of \$66.3 million (including tangible capital assets of \$61.1 million)<sup>7</sup> and net debt of \$4.7 million.<sup>8</sup>

From 2009-10 to 2013-14, the number of students enrolled in CSF's schools has increased by 33% (from 1,423 students in 2009-10 to 1,896 in 2013-14) – (increase of 24% from 2009-10 to 2012-13). As shown in **Figure 1**, from September 1, 2009 to August 31, 2013, CSF has had an annual surplus (that is, its revenues have exceeded its expenses) each year. Its annual surplus is largely the result of the difference between capital grants<sup>9</sup> recognized as revenue and the annual amortization expense.<sup>10</sup>

Since 2010-11, CSF has had a net debt (that is, its liabilities have exceeded its financial assets). Its net debt has increased by \$5.2 million from August 31, 2010 to August 31, 2013.

From 2009-10 to 2012-13, CSF's capital spending (acquisitions of tangible capital assets) has exceeded its capital grant revenue each year for a total of \$4 million over this period. For example, its 2009-10 capital spending exceeded its capital grant revenues by \$1.6 million.

CSF, with the Ministry's approval, has increased its authorized line of credit from \$2.5 million at August 31, 2010 to \$5.8 million<sup>11</sup> at August 31, 2014. At August 31, 2013, it had borrowed \$2.4 million using this line of credit.

**Figure 1—Actual Financial Results and Student Enrolment Since 2009-10**

	2009-10	2010-11	2011-12	2012-13	2013-14
	(in thousands)				(unaudited)
Ministry of Education Grants:					Actual financial results for 2013-14 were not yet available at October 1, 2014.
Operating Grants	\$20,043	\$22,149	\$28,311	\$30,834	
Capital Grants	\$2,401	\$5,547	\$12,585 <sup>11</sup>	\$8,001	
Other Revenue <sup>6</sup>	\$3,723	\$4,444	\$3,740	\$4,121	
Total Revenue	\$26,167	\$32,140	\$44,636	\$42,956	
Salaries Expense	\$15,153	\$17,149	\$19,222	\$22,222	
Transportation Expense	\$2,384	\$2,796	\$3,157	\$3,594	
Amortization Expense	\$1,739	\$1,649	\$1,998	\$2,416	

<sup>6</sup> Unlike other school divisions in Saskatchewan, CSF does not have education property tax revenue.

<sup>7</sup> The cost and accumulated amortization of its tangible capital assets at August 31, 2013 was \$85.4 million, and \$24.3 million respectively.

<sup>8</sup> *Conseil des écoles francsaskois 2012-13 Annual Report*, p. 46-49.

<sup>9</sup> CSF receives grants from the Ministry for the purchase of tangible capital assets (primarily included in capital grants).

<sup>10</sup> CSF amortizes the cost of its assets to expense over the service life of the assets to match the delivery of services (amortization expense).

<sup>11</sup> \$5.8 million represents the maximum line of credit allowed under the Ministry's policy (i.e., equivalent to two months operating grant).

	2009-10	2010-11	2011-12	2012-13	2013-14
	(in thousands)				(unaudited)
Other Expenses <sup>^</sup>	\$6,631	\$7,634	\$9,033	\$11,141	
Total Expenses	\$25,907	\$29,228	\$33,410	\$39,372	
<b>Annual Surplus (deficit)</b>	<b>\$260</b>	<b>\$2,912</b>	<b>\$11,226</b>	<b>\$3,584</b>	
Acquisition of Tangible Capital Assets <sup>**</sup>	\$4,054	\$6,393	\$13,534 <sup>^^</sup>	\$9,555	
Long-Term Debt at August 31 <sup>***</sup>	\$1,136	\$996	\$1,032	\$1,537	
Borrowings through Line of Credit	\$ -	\$504	\$161	\$2,402	
<b>Net Surplus (Debt) at August 31</b>	<b>\$539</b>	<b>(\$1,319)</b>	<b>(\$1,825)</b>	<b>(\$4,716)</b>	
<b>Student Enrolment<sup>†</sup></b>	<b>1,423</b>	<b>1,488</b>	<b>1,567</b>	<b>1,768</b>	<b>1,896</b>

Source: CSF's Audited Financial Statements for 2009 to 2013.

<sup>†</sup>Conseil des écoles francophones enrôlement records – number of students at September 30 for 2009-10 to 2012-13. Enrolment for 2013-14 is as of June 30, 2014.

<sup>\*\*</sup>Acquisition of tangible capital assets includes capital purchases for land, buildings, furniture and equipment, school buses, vehicles, and information technology equipment. The capital grants from the Ministry are provided to school divisions for major projects related to the construction of capital infrastructure (i.e., buildings).

<sup>\*\*\*</sup>Long-term debt relates to borrowings for infrastructure projects, school buses, and capital leases.

<sup>††</sup>Other revenues include funding from various sources such as the federal government, tuition fees, and fundraising. Other expenses include costs for various operating expenses such as learning supports, supplies and services, building operations, communications, travel, professional development, and interest and bank charges.

<sup>†††</sup>2011-12 capital grants and acquisition of tangible capital assets includes \$11.0 million for the renovation of École Monseigneur De Laval – PSQV.

**Figure 2** sets out CSF's approved annual budget from 2009-10 to 2014-15. It shows that each year CSF budgeted for annual deficits. As shown in **Figure 2**, this budgeted annual deficit did not include an estimate of capital grants from the Ministry or all of its planned capital spending (acquisition of tangible capital assets). As explained later in this chapter, CSF does not receive the Ministry's approval of its major capital projects for the year (which reflect its planned capital spending) and related capital grants until the fall – well after CSF has approved its annual budget.

**Figure 2—Approved Budgets from 2009-10 to 2014-15**

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 <sup>*</sup>
	(in thousands)					
Ministry of Education Grants:						
Operating Grants	\$20,243	\$22,270	\$26,302	\$28,921	\$34,134	\$34,448
Capital Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Revenue	\$2,870	\$3,309	\$3,350	\$3,617	\$1,919	\$1,330
Total Revenue	\$23,113	\$25,579	\$29,652	\$32,538	\$36,053	\$35,778
Salaries Expense	\$15,211	\$16,086	\$17,353	\$19,893	\$19,400	\$19,093
Transportation Expense	\$2,604	\$2,793	\$3,289	\$3,570	\$3,702	\$4,282
Amortization Expense	\$ -	\$1,243	\$1,252	\$1,981	\$1,981	\$2,745
Other Expenses	\$7,570	\$7,374	\$8,567	\$8,565	\$12,388	\$13,205
Total Expenses	\$25,385	\$27,496	\$30,461	\$34,009	\$37,471	\$39,325
<b>Annual Surplus (deficit)</b>	<b>(\$2,272)</b>	<b>(\$1,917)</b>	<b>(\$809)</b>	<b>(\$1,471)</b>	<b>(\$1,418)</b>	<b>(\$802)</b>

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15*
	(in thousands)					
Acquisition of Tangible Capital Assets**	\$ -	\$175	\$101	\$100	\$100	\$33
Long-Term Debt at August 31	Not Budgeted					
Line of Credit (outstanding)	Not Budgeted					
Net Surplus (Debt) at August 31	Not Budgeted					

Source: CSF's approved budgets.

\*Approved by Board in June 2014 and Ministry of Education in August 2014.

\*\*This amount does not include infrastructure projects (e.g., major maintenance of schools) approved by the Ministry of Education in the fall of each year because these amounts are not known at the time of budget development.

In both 2011-12 and 2012-13, operating grants from the Ministry were \$2.0 million more than planned. From 2009-10 to 2012-13, CSF's actual expenses have exceeded budget. The extent of this overage has increased each year from a low of 2% (\$0.5 million) in 2009-10 to a high of 15.8% (\$5.3 million) in 2012-13. Since 2010-11, salaries expense has been the largest contributor to these overages (with a low of \$1.1 million over budget in 2010-11 and a high of \$2.3 million over budget in 2012-13).

In October 2013, CSF implemented cost-control measures totalling \$1.4 million. It made reductions to its administrative and other staff positions, as well as other operating costs.

## 2.3 Significance of Financial Management and Governance

Because of the important role of education in Saskatchewan and the significant cost associated with providing that education (2013-14 – 26% of government-wide expenses),<sup>12</sup> effective financial management and governance practices are necessary to enable all school divisions, including CSF, to make sound decisions for the education of students. Fiscal constraints may limit funding making efficient use of resources essential to providing quality educational programs. Further, current infrastructure deficits of schools divisions are creating additional pressures during times of enrolment pressures for some school divisions (e.g., CSF's 33% increase in enrolment from 2009-10 to 2013-14).

Strong budgetary practices are key to clearly explaining the basis of financial plans and decisions (e.g., assumptions about student enrolment, student/teacher ratios, transportation needs, programming requirements). Budgetary controls and financial monitoring help ensure actual spending is properly authorized and consistent with planned spending. Poor financial management and governance practices increase the risk that an organization will not deliver on its mandate effectively and efficiently. Without effective practices, CSF may not use resources effectively, leading to reductions in the quality or availability of Francophone educational programming in Saskatchewan.

<sup>12</sup> Government of Saskatchewan, 2013-14 Public Accounts, p. 13.





### 3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of Conseil scolaire fransaskois' financial management and governance practices for the 12-month period ended August 31, 2014.

In this audit, financial management practices are defined as those practices that help an organization assess the cost of achieving its objectives (planning), manage its financial risks, identify accountabilities, and support strategic and operational decision making.<sup>13</sup> It also includes governance practices such as structures and processes that direct, control, and hold an organization accountable.<sup>14</sup>

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate CSF's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. CSF's management agreed with the criteria (see **Figure 3**).

To carry out this audit, we interviewed CSF staff and Board members. We examined Board minutes and CSF's policies and procedures that relate to financial management and governance practices. We also examined budget documents, financial reports prepared by management, and documents concerning financial matters and commitments entered into by the organization (e.g., contracts). Our work included testing of selected items.

**Figure 3—Audit Criteria**

Effective financial management and governance practices include processes to:

- 1. Implement policies for financial management and governance**
  - 1.1 Define authority and responsibilities of the Board and management consistent with legislation
  - 1.2 Set behavioural expectations of the Board and staff (e.g., code of conduct, conflict of interest)
  - 1.3 Maintain key financial and governance policies (e.g., budgeting, forecasting, financial reporting)
  - 1.4 Delegate authorities consistent with policies (e.g., to conseils d'école, to staff responsible for approving purchases, contracts, and payments)
  - 1.5 Communicate the approved policies and delegations
- 2. Ensure Board and management have suitable financial competencies**
  - 2.1 Identify financial competencies needed of Board (collective) and management
  - 2.2 Obtain training or hire external experts to address identified Board competency gaps
  - 2.3 Require key staff positions to have suitable financial competencies (e.g., set requirements for key positions and recruit qualified staff)
- 3. Establish financial budgets (operating, capital, cash flow)**
  - 3.1 Identify financial resources necessary to achieve strategic plan and other operational plans (e.g., human resources, capital)
  - 3.2 Set out key planning assumptions and their basis (e.g., student enrolments, government strategic direction)
  - 3.3 Consider impact of financial risks to achievement of plans (e.g., funding sources, over spending)
  - 3.4 Use same accounting policies in financial budgets as used in year-end financial reporting
  - 3.5 Obtain Board approval of the annual budget prior to submission to the Ministry of Education
  - 3.6 Obtain Ministry of Education approval of the annual budget
- 4. Make decisions in accordance with financial budgets**
  - 4.1 Establish commitments within approved budget and forecasts
  - 4.2 Approve commitments in accordance with policy and delegation

<sup>13</sup> Auditor General of Canada, *Financial Management and Control – National Defence*, p. 3.

<sup>14</sup> Auditor General of British Columbia, *Crown Agency Board Governance*, p. 10.

**5. Monitor financial performance**

- 5.1 Regularly compare financial results to planned results (e.g., forecast and budget); and explain differences
- 5.2 Regularly review, scrutinize, and approve financial reports by those charged with governance
- 5.3 Use financial information to revise plans timely (operating, capital, human resource)
- 5.4 Communicate financial information as required to external stakeholders (e.g., Ministry, parents)

**We concluded that for the 12-month period ended August 31, 2014, Conseil scolaire fransaskois did not have effective financial management and governance practices. It needs processes to develop required Board competencies, and needs to establish governance and financial policies and procedures necessary to manage its financial operations.**

In the later part of the audit period, we noted that CSF started to move forward in making positive changes (e.g., use of a template to guide the preparation of Board decision items) that once they become established practice will help improve its financial management and governance practices.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our expectations (in italics), key findings, and recommendations related to the audit criteria in **Figure 3**.

### 4.1 Policies for Financial Management and Governance

#### 4.1.1 Written Delegation of Authority Needed

*We expected the following. The Board of CSF would define, in writing, the authorities and responsibilities of the Board and management. It would maintain approved key financial and governance policies and communicate them to staff. It would formally delegate authorities consistent with approved policies. Its delegation of authority policy would give certain positions authority to make financial decisions on behalf of CSF; the nature and extent of the authority would align with the responsibilities and knowledge of the position. Also, such a policy would specify for each assigned position, the extent of authority delegated, and related accountability for specific financial activities (e.g., approve contracts up to \$10,000).*

The Board maintains a *School Board Governance Policy Manual* (Manual). CSF makes the Manual publicly available on its website. The Manual defines the Board's mandate, which involves providing students with education. This mandate is consistent with CSF's authorities and responsibilities set out within the Act and section 23 of the *Canadian Charter of Rights and Freedoms* (Charter). To help ensure CSF addresses all obligations identified in its assessment of the Charter, the Manual includes mandates for maintaining the francophone culture and providing a sense of community for its students.

The Manual also sets out governance policies for the organization such as the roles of the Board and its chair, and the Board's code of conduct and conflict-of-interest policy. Through the Manual, the Board also delegated various authorities to the Director of Education (e.g., managing operations and staff, approving expenses within budget,



approving emergency expenses over \$50,000). The Board has also approved bank signing authorities for the CSF, which includes the Director of Education and the Chief Financial Officer (CFO).

Even though the Board has not formally allowed the Director of Education to delegate authority to staff (that is, a written delegation of authority policy does not exist), we found that CSF allowed staff reporting below the Director of Education and the CFO to approve contracts, invoices, and payments. For example, we found staff approved contracts (resulting in financial commitments) in violation of the Board delegations, and in some cases we were unable to determine who approved the contract (see **Section 4.4.2** for further details). Management indicated that the Director of Education has verbally delegated this authority to these staff.

Without complete written delegation of authority policies, the risk increases that inappropriate financial decisions may be made. It also increases the risk that the Board will not be able to hold management accountable for decisions made.

- 1. We recommend that the Board of Conseil scolaire fransaskois approve a written delegation of authority setting out the authority of each staff involved in procurement decisions.**

#### 4.1.2 Written Financial Management Policies Needed

*We expected CSF to develop financial management policies and procedures based on its assessment of CSF's risks. Financial management policies would address:*

- › Budgeting – set deadlines for submission to the Board and requirements for format of budgets, accounting policies to be used, key planning assumptions, alignment of budget with the organization's strategic plan.*
- › Financial reporting – set frequency for reporting financial results and forecasts to year-end to the Board, guidelines for analysis of variances between financial results and planned results, management responsibilities for review of financial results and journal entries.*
- › Purchasing – set requirements for use of tenders or quotes, the awarding of tenders, managing performance of vendors, use of purchasing cards.*

*To build the expectations of the policies into staff daily routines, we expected CSF to identify and design procedures (i.e., controls) to reduce its risks to an acceptable level.*

We found CSF does not have any documented policies for its key financial management processes. The Board also has not completed a risk assessment to determine the procedures it requires to manage its financial risks.

Without written financial management policies and procedures, the Board cannot formally set out its expectations for the financial operations of the organization. Written policies and procedures also help staff complete their work accurately and consistently over time, and in the event of key staff leaving the organization.



2. **We recommend that the Board of Conseil scolaire fransaskois approve written policies for key financial management processes based on its assessment of financial risks.**

Throughout the remainder of this chapter, we describe the impact on CSF's financial management and governance processes resulting from this lack of written financial management policies (e.g., budget process is incomplete, financial risks are not evaluated, financial reports need improvement, decisions are made without appropriate analysis).

### 4.1.3 Comprehensive Code of Conduct Needed

*We expected the Board to set out principles, values, standards, or rules of behaviour that would guide the decisions of Board members, management, and staff including how it carries out its business, and communicate these expectations to those affected. Many entities use written codes of conduct to document and communicate this information.*

As noted in **Section 4.1.1**, the Board has established a code of conduct and conflict-of-interest policy for members of the Board. While we observed evidence that Board members excused themselves from Board meetings when conflicts were declared, the policies are not sufficiently comprehensive. They do not require tracking of possible conflicts of interest, require Board members to periodically (e.g., annually) confirm adherence to the policies, or set out processes to address identified violations. Such processes help reinforce the importance of the policies and ensure identified conflicts of interest and violations of the code, if any, are handled appropriately.

Also, similar policies do not exist for management and staff. The Board plans to review its code of conduct in 2014-15 and expand its scope to include management.

Without a comprehensive code of conduct and conflict-of-interest policy, Board members, management, and staff may not understand what behaviour is acceptable to CSF or how to maintain compliance with these policies.

3. **We recommend that the Board of Conseil scolaire fransaskois approve a comprehensive code of conduct and conflict-of-interest policy for Board members, management, and staff.**

4. **We recommend that the Board of Conseil scolaire fransaskois monitor compliance with its code of conduct and conflict-of-interest policy and address identified conflicts of interest and violations of the code.**





## 4.2 Financial Competencies of Board and Management

### 4.2.1 Processes to Develop Board Competencies Needed

*We expected the following. The Board would identify the financial competencies that Board members require. Such competencies are essential to enable Board members to collectively provide effective oversight (e.g., review of financial results, assessing appropriateness of policies). The Board would periodically evaluate itself to determine whether members felt they have the required competencies to enable them to carry out their role as expected. The Board would obtain training or hire external experts to address gaps between Board members' collective competencies and those needed.*

Although its 2010-2015 strategic plan included plans to identify required competencies, by August 2014, the Board had not done so. As such, the Board has not identified or documented required competencies of its members, including financial competencies. Also, it has not identified competencies already possessed by current board members.

During the audit period, the Board did not conduct a self-assessment to identify gaps between competencies required and those possessed by Board members. It does not have a policy to require such assessments. Completing self-assessments of competencies and comparing them to required competencies would help the Board determine what knowledge and skills it requires and aid in developing training and development plans.

In March 2014, the Board approved an action plan that includes the development of a Board training plan. At August 2014, the Board had not yet developed the training plan. Also, while the Board has a budget for developing the competences of its members, members did not attend training during our audit period as a result of its cost-control efforts.

Without identifying and developing necessary competencies, the Board may not collectively have the required skills and knowledge to interpret and analyze information for making good decisions.

**5. We recommend that the Board of Conseil scolaire fransaskois implement a development plan to address gaps between competencies required and those possessed by Board members.**

### 4.2.2 Evaluations of Senior Management Performance Needed

*We expected the following. CSF would require job descriptions for key staff positions to set out required suitable financial competencies. CSF would carry out performance evaluations of its senior management positions on a systematic and periodic basis. Such evaluations would assess whether individuals are performing as expected. CSF would use the results of such evaluations when considering compensation, suitability for promotions, disciplinary action, and identifying areas where further training or development is needed.*

Except for the CFO position, job descriptions for other key management positions documented the required financial competencies. While the CFO's job description detailed the responsibilities of the position, it did not adequately document the competencies required (e.g., professional accounting designation or equivalent experience). We found that staff in key financial positions possessed suitable financial competencies to perform their jobs.

At August 2014, management advised us that CSF was reviewing all job descriptions including the required competencies for all staff including the CFO. It expects to have these descriptions updated by October 31, 2014.

Also, CSF does not require written performance evaluations for senior management. As such, written performance evaluations were not completed during the year, with one exception – the former Director of Education. While this evaluation was not completed using a standard form, it included evaluation of this individual's decisions and actions.

Without systematic and formal performance evaluations of senior management, CSF increases the risk that management's operational decisions may not align with the organization's goals and objectives. Also, CSF may not have complete, objective, and timely information to provide a basis for making human resource decisions.

- 6. We recommend that the Board of Conseil scolaire fransaskois require systematic and regular performance evaluations of senior management.**

### 4.3 Establishment of Financial Budgets

#### 4.3.1 Budget Incomplete and Approved Without Clear Linkage to Action Plans

*Budgets set out an agency's spending plan. When developing budgets (capital, operating, and cash flow), agencies determine, in advance, whether they have sufficient resources to carry out their plans and if not, determine where to secure additional resources or reprioritize their plans so that they operate within available resources.*

*We expected the following. CSF would identify the financial resources necessary to achieve its strategic plan and other operational plans. It would show how its budget aligned with its plans. The budget would set out key planning assumptions and their basis, and CSF would prepare its budget using the same accounting policies as used to prepare its year-end financial statements. As CSF's governing body, CSF would obtain Board approval of its annual budget prior to it being submitted for approval by the Ministry.*

As noted in **Section 2.2**, CSF does not prepare a complete budget for review and approval of its Board. Rather, it prepares its budget in two parts – operating and capital.

In early 2014, CSF prepared its 2014-15 budgeted operating revenues and expenses using budget projections from its various departments. As noted later in this section, in June 2014, the Board approved this budget with an annual deficit of \$0.8 million.



Consistent with prior years, this budget did not include anticipated capital grant revenue or capital spending for major projects. As such, we refer to this budget as an operating budget.

CSF prepared its operating budget using the expense-basis of accounting following the same policies as its year-end financial statements (i.e., Canadian generally accepted accounting principles appropriate for the public sector). The operating budget also included a cash flow budget by adjusting the expense-based budget (e.g., to include purchase of tangible capital assets, exclude amortization expense) to determine the year-end cash position.

For capital budgeting purposes, CSF prepares:

- ▶ A listing of major capital projects (e.g., new school, school additions, portable classrooms). The listing sets out for each planned project, by school, estimated project cost (if known), and status of the funding request with the Ministry. In some cases, further analysis is required to determine the estimated project costs and timing. The Ministry usually approves selected capital projects in the fall of each year.
- ▶ A listing of preventative maintenance and renovations projects costing less than \$1 million. The listing includes each project grouped by school, estimated cost of the project, expected funding from the Ministry, expected timing, and identified suppliers. Each spring, the Ministry approves annual funding, which CSF may use immediately for eligible projects.

While these capital listings include the estimated total costs of some projects, they do not clearly set out CSF's total capital budget. Not all projects in the listings will necessarily be approved for funding by the Ministry as it must consider the capital needs of all school divisions in the province. Therefore, for some CSF projects, estimated costs and timing have not yet been determined.

As noted in **Section 2.2**, in recent years CSF's capital spending has exceeded its capital grants from the Ministry.

Organizations need complete annual budgets in order to have a full understanding of their spending plans and financing needs. Also, complete budgets are essential to maintain control over finances.

Without inclusion of anticipated capital funding and spending in the budget presented to the Board for its review and approval, the Board does not have a full and complete picture of its finances and financing needs. Complete budget information is needed for the Board to make informed financial decisions.

Also, when examining CSF's 2014-15 operating budget, we found that CSF did not document how its operating budget incorporated the approved action plans supporting its strategic plan or the provincial education strategy.<sup>15</sup> As a result, we were unable to determine whether its budget aligned with its plans.

<sup>15</sup> [www.education.gov.sk.ca/ministryplan/2014-15](http://www.education.gov.sk.ca/ministryplan/2014-15) (26 September 2014).



In June 2014, management presented to the Board the 2014-15 budget. The presentation included expected enrolments, reorganization of administrative staff, and some information about program assumptions (e.g., continuation or reduction of programs). We found that the 2014-15 budget did not set out all of the key planning assumptions used to develop the budget (e.g., details of key program decisions, student-to-teacher ratios, changes in utility rates, expected inflation) or their basis (e.g., announced utility rate increases, information from the Ministry). Management advised us that assumptions were discussed verbally with the Board. The Board minutes did not document the assumptions discussed.

We also found that the Board was not provided with supporting analysis for program changes recommended in the 2014-15 budget.

For example, as discussed in **Section 4.1.1**, to maintain francophone culture, CSF provides a French cultural program (l'animation culturelle) as part of the cultural mandate it has identified. At the time of the audit, the Ministry did not provide specific funding related to this mandate. In its 2014-15 budget deliberations, as part of its cost-control initiatives, CSF decided to change this program to achieve overall cost reductions for CSF of about \$1 million. This decision was not based on documented financial analysis that set out key assumptions to support the change. Management indicated that they had verbally discussed the rationale for this change with the Board.

For another example, as we describe in **Section 4.3.2**, the Board did not receive information about the financial impact and risks related to programming decisions such as providing full-time kindergarten.

Without key supporting information, the Board cannot adequately challenge and assess the reasonableness of the budget. Key supporting information includes the key planning assumptions used to prepare the budget and their basis, financial analysis of recommended program changes, along with how the budget supports the achievement of the approved strategic plan. Providing the Board with key supporting information along with the budget, in advance of its meeting, would give members time to assess the budget, and prepare questions to ask management. Requirements to provide key information should be set out in policy. In **Section 4.1.2**, we recommend the Board of CSF approve policies for key financial management processes, including budgeting.

In May 2014, the Board met with management to scrutinize and challenge the proposed 2014-15 operating budget and requested changes. Management changed the budget as requested. In June 2014, the Board approved the 2014-15 budget with a planned deficit of about \$0.8 million. Management then submitted the budget for Ministry approval. In August 2014, the Ministry approved the operating budget.

As discussed in **Section 2.2** and **Section 4.3.2**, CSF has had net debt since 2010-11 and its net debt has grown significantly since then. For 2014-15, CSF budgeted an operating deficit and a cash surplus. Management advised its Board and the Ministry that CSF would use the planned cash surplus to reduce its net debt. CSF management also advised its Board that it expects to receive 2014-15 funding from the Ministry related to past capital maintenance expenses it had incurred and would use this funding to further reduce its net debt. However, this debt reduction strategy is not documented.

Both the Board and the Ministry approved the 2014-15 budget operating deficit without a documented strategy setting out how CSF will manage its growing net debt while



maintaining quality educational services. While CSF has taken steps to reduce its expenses and has plans to further reduce its expenses and net debt, it may be difficult to monitor progress towards achievement of debt reductions during the year without a documented strategy.

- 7. We recommend that Conseil scolaire fransaskois document its strategy to manage its net debt for the Board's approval.**

### 4.3.2 Financial Risks Not Evaluated

*Effective risk management helps improve the ability for organizations to achieve their strategic objectives in an efficient and effective way. We expected the following. CSF would systematically identify financial risks that may affect its ability to achieve its strategic objectives. CSF would consider and document the impact of identified financial risks when making recommendations to senior management and to the Board, including how it planned to manage them (i.e., accept, share, reduce, and avoid risks). For items presented to the Board for its decision, management would include analysis supporting the recommendations in the information provided to the Board.*

CSF does not have a risk management framework (e.g., policy). Such a policy would help it effectively identify and evaluate risks to the achievement of plans, including financial risks. It does not formally identify risks, document its analysis of how identified risks may affect it, or how it plans to manage them.

For example, in 2012-13, CSF began to accept out-of-province students in one of its schools near an interprovincial border without a written agreement with the other province setting out the terms of this arrangement (e.g., funding arrangement, basis of payment). When CSF decided to accept these out-of-province students without an agreement, it did not assess the financial risks of entering into this informal arrangement.

As of August 31, 2013, CSF had billed the other province about \$1.8 million. Late in 2013, it determined that it would likely not collect all amounts billed and reversed billings of about \$1.7 million. When CSF had difficulties collecting amounts billed to the other province, it drafted an agreement. At August 2014, the other province had not signed the agreement. The other province paid CSF \$0.4 million in March 2014.

CSF has not billed the other province since August 31, 2013 and it continues to accept students from this province without an agreement. At August 2014, CSF had not assessed the impact on its cash flow and other activities from continuing this informal arrangement. At August 2014, CSF continued to work with the other province to resolve the funding for students from that province and was analyzing other alternatives to resolve the situation.

We also found instances where CSF provided educational programs without a confirmed source of funding, such as full-time kindergarten (all day, five days a week)—at the time of our audit, the Ministry only funded half-day kindergarten programs. CSF has determined the need for such educational programs as part of its obligations under section 23 of the *Canadian Charter of Rights and Freedoms*. Management indicated that CSF uses funds received from the federal government to pay for the other half day.

Providing full-time kindergarten has resulted in CSF hiring the equivalent of eight additional teachers during 2013-14 at an average salary of \$65,000. Similar programs are not typically available in other school divisions within Saskatchewan, and the Ministry has not provided funding for such programs.

CSF did not always formally analyze or set out in writing the financial impact and related risks prior to deciding to offer, or to continue to deliver, programs where it did not have externally-directed funding for the programs. At August 2014, the decision on whether the Ministry must fund such programs within CSF was before the courts. Where it was using legal action to obtain funding, we found it had not set out contingency plans if the outcome of its legal action did not generate the expected funding. Such program decisions may have contributed to the increase in CSF's net debt as described in **Section 2.2**.

Without processes to systematically consider risks when making decisions, CSF may make poor decisions resulting in inefficient use of its scarce resources and fail to meet its strategic objectives. If risks are not proactively managed, CSF may not be able to resolve problems in a timely manner and protect itself from harm.

8. We recommend that the Board of Conseil scolaire fransaskois implement a risk management process that requires the identification and written analysis of financial risks that impact Conseil scolaire fransaskois.

## 4.4 Making Decisions in Accordance with Financial Budgets

### 4.4.1 Staff Need Better Information for Decision Making

*We expected the following. CSF would operate within approved budget and forecasts. Management would seek Board approval of changes in forecasts prior to entering into agreements or engaging in activities that would result in CSF exceeding available resources.*

CSF has given various staff within CSF responsibility for managing the budgets for their respective departments. Each staff member is responsible for monitoring the availability of funding within assigned budgets prior to entering into commitments (e.g., contracts, purchases). Each month, CSF provides each department with monthly budget reports prepared from its financial records.

While these reports provide staff with the amount of unused budget based on actual costs incurred to date, they do not include commitments or forecasted expenses. Rather, CSF expects each department to have its own processes to identify, track, and monitor commitments for its area. As a result, staff do not have adequate and readily accessible information to monitor its unused budget. Without adequate information about commitments or forecasted expenses, staff may not identify budget issues in sufficient time to enable decisions to control the costs, to reallocate the budget items, or seek additional sources of funding.



For example, the May 31, 2014 semi-annual financial report showed that supplies and services expenses for key functions (i.e., administration, instruction, plant, and student transportation) were at 175% of the budgeted amount (i.e., exceeded their annual budget). Forecasting revenues and expenses to year-end may have enabled CSF to identify this budget overage earlier in the year and given it time to take action.

In addition, when CSF identified expense reductions in October 2013, the monthly budget reports provided to each department did not address these reductions.

Not having accurate, adequate, and readily accessible information increases the risk of overspending. Timely forecasts enable the Board and management to analyze the existing financial situation when making decisions concerning expenditures.

- 9. We recommend that Conseil scolaire fransaskois maintain accurate and current forecasts of financial information within its financial records.**

#### 4.4.2 Inadequate Contracting Processes

*We expected CSF to make purchases (e.g., enter into contracts) in accordance with approved purchasing policies and delegated authorities.*

As noted in **Section 4.1.1** and **Section 4.1.2**, CSF does not have documented policies for its key financial management processes (including purchasing policies) and has not clearly delegated authorities. Also, it does not have formal processes for contracting goods or services.

When examining contract documentation, we found three out of eight contracts were not signed by either CSF's management or by the supplier (i.e., incomplete contract documentation). In one instance, a CSF staff member without documented authority signed the contract (e.g., director). In another instance, CSF received and paid for transportation services without having a written contract (i.e., about \$681,000 in 2013-14). In this instance, CSF paid the contractor based upon the contractor's response to the tender.

Without adequate documentation and approval of contracts, CSF may not be entering into appropriate contracts. Not having an adequate purchasing policy subjects CSF to undue risks (e.g., liability, privacy, confidentiality, reputation). A purchasing policy would set out when contracts are necessary, and a delegation of authority would document which staff have authority to approve contracts for CSF. In **Section 4.1.2**, we recommend CSF approve key financial management policies, including for purchasing and delegations of authority.

## 4.5 Monitoring Financial Performance

### 4.5.1 Monthly Financial Reporting Processes Need Improvement

*We expected the following. CSF would regularly compare financial results to planned results (e.g., forecast and budget) and explain significant differences. Those charged with management and governance (e.g., senior management, Board) would regularly review, and approve financial reports. CSF would communicate financial information as required to external stakeholders (e.g., Ministry, conseils d'école, parents).*

We found that processes used to prepare financial reports were not effective, resulting in reports that were inaccurate and incomplete. Each month, CSF provided the Board with a monthly report that compared actual revenues and expenses to budget. Twice a year, in November and May (i.e., semi-annually), CSF provided the Board with financial statements and schedules using the same format and accounting policies as its year-end financial statements (excluding notes to the financial statements). In December 2013, the Board approved CSF's audited 2012-13 financial statements. We noted the following issues with some of these financial reports:

- The actual financial results in the monthly financial reports were inaccurate and not comparable to previous periods.

Management uses month-end financial processes for managing the accounting records. As such, CSF records many of its accruals<sup>16</sup> at month-end. However, CSF did not use the calendar month as the reporting period (e.g., month of March); rather, it used arbitrary dates to provide a cut-off date as close as possible to the related Board meeting so that the reports reflected the most current financial information. Using a mid-month cut-off date meant the "monthly" results did not incorporate all month-end accruals (e.g., government grants receivable, salaries and benefits payable). Therefore, the reports did not include complete information.

As its accounting system is designed for month-end reporting periods, CSF does not maintain support for the mid-month financial reports. As a result, CSF cannot later show how the amounts reported in the "monthly" results match its accounting records (i.e., general ledger). This practice increases the risk of reporting inaccurate information.

Also, using arbitrary mid-month cut-off dates results in varying lengths of "monthly" reporting periods. Varying monthly reporting periods reduces the ability to make meaningful comparisons to prior months or prior years (e.g., January 14, 2014, February 24, 2014, March 27, 2014).

- The monthly and semi-annual financial reports do not include revenue and expense forecasts to year-end.

Financial forecasts estimate the impact that unexpected events (e.g., change in expected enrolments or utility rates) or unplanned commitments will have on the

<sup>16</sup> Accruals represent the recording of income items when they are earned and recording deductions when expenses are incurred, regardless of when actual income is received or payment is made.





annual results. We examined four monthly financial reports during the audit period. While the monthly financial reports included the approved annual budget and actuals to date, forecasts to year-end were not included. In **Section 4.4.1**, we describe an example of expenses expected to exceed budget in 2013-14 that could have been identified through forecasting processes. Without forecasts to year-end, management and the Board may not identify potential financial risks to CSF in a timely manner so that corrective action can be taken.

- › The monthly and semi-annual financial reports do not include reasons for differences between actual and planned (i.e., budgeted) financial results.

Management stated that it verbally provides the Board with reasons for differences between year-to-date actual and planned results. Board minutes did not document them. Also, CSF has not set standard variance thresholds to guide staff as to when an explanation is required (e.g., differences greater than \$5,000 or changes of more than 10%). As described previously, CSF did not prepare forecasts; therefore, it did not explain differences between forecasted and planned results.

Requiring documented analysis of differences exceeding specified thresholds would help management analyze the financial results and provide the Board with the key information needed to make timely decisions and take corrective action when necessary.

- › Management and the CFO do not leave evidence of review or approval of monthly or semi-annual financial reports.

Management stated that the CFO discussed the financial results with the staff who prepared the financial reports; no evidence of this discussion or review was maintained. The financial reports were not discussed with the Director of Education before they were presented to the Board.

Regular review of financial reports enables management to challenge results to ensure any reporting errors are corrected, identify budgetary issues, take timely action as needed, and make informed recommendations to the Board. Without this review, management does not have the information it requires to make financial decisions, report urgent issues to the Board, and may be unable to adequately respond to questions from the Board leading to ineffective governance.

- › The Board does not receive monthly and semi-annual financial reports in advance of its meetings. Financial reports were not included in the Board meeting agenda packages.

CSF indicated that financial reports were often distributed to the Board at the beginning of Board meetings rather than provided in advance. This practice does not allow Board members sufficient time to analyze the financial results and prepare questions for management, which can lead to poor decision making.

- › The Board does not consistently document its review of financial reports.

Although management and members of the Board stated that financial reports for all months were presented to the Board at its meetings, we were unable to verify that the Board consistently reviewed financial reports. Board minutes did not

consistently document the Board's receipt and review of financial reports. Although the Board held seven regular meetings during 2013-14, its minutes only documented adoption of monthly financial reports for three months (November 2013, December 2013, June 2014). The minutes also did not record adoption of the November 2013 semi-annual financial report. Management advised us that the May 2014 semi-annual report was not prepared in time for the Board's June 2014 meeting, nor was it reviewed by the Board by the end of September 2014. The Board meeting agendas indicated financial reports would be discussed, but the agenda packages did not contain copies of the financial reports, nor were these reports added to the archived records following the meetings. Management provided us with copies of monthly and semi-annual financial reports upon request.

Not leaving evidence of review of financial reports reduces the Board's ability to demonstrate its oversight of the organization to stakeholders (e.g., parents, Ministry).

➤ The monthly cash flow forecasts were inaccurate.

Each month, staff prepare a monthly cash flow forecast to determine whether adequate cash is available to meet payroll and supplier payments. The forecasts did not reconcile with month-end bank records and did not always accurately reflect the timing of cash flows that had occurred or were expected (e.g., amounts reflected in the incorrect month, not actually received, not collectible). For example, staff did not adjust the cash flow forecast when CSF did not receive amounts expected for certain out-of-province students (see **Section 4.3.2**). The CFO did not review or approve these forecasts. Review and approval of the forecasts independent of their preparation helps confirm the accuracy of the forecast and underlying assumptions.

As we describe in **Section 2.2**, CSF requested increases in its line of credit and advances from the Ministry to meet its cash flow needs. In some months, CSF exceeded its line of credit and as a result incurred penalties and higher interest costs from its financial institution. As of May 2014, it reported operating interest and bank charges of \$191,455 compared to a budget of \$60,613. Accurate cash flow forecasts can help to identify concerns earlier to allow analysis of alternatives that may result in more efficient solutions.

Improved cash flow analysis can also help management in deciding between financial alternatives. For example, during the past few years, including 2013-14, CSF has borrowed money to pay for certain capital assets (e.g., improvements to school buildings, buses). These assets typically have a service potential of many years (e.g., 12 to 20 years or more). However, with the Ministry's approval, CSF financed these assets over shorter terms (e.g., five-year loans). Such decisions may result in reduced interest in the long term, but increase the annual cash flow requirements over this shorter term. Cash flow analysis may help with assessment of financing alternatives, leading to better alignment of cash inflows and outflows.

If cash flow forecasts are not accurately prepared, senior management and the Board may not identify cash flow issues or opportunities on a timely basis and cannot make informed decisions to take timely corrective action.



- Management did not leave evidence of review and approval of journal entries.

Each month, CSF uses journal entries to record its accruals. We examined all journal entries posted during four separate weeks throughout the year. None of the journal entries during these time periods contained evidence of management's review and approval. If journal entries are not independently reviewed and approved, there is a risk that the financial records may be inaccurate (i.e., risk of error) or subject to manipulation (i.e., risk of financial statement fraud).

In **Section 4.1.2**, we recommend that CSF approve key financial management policies, including policies for financial reporting processes. These policies should be designed to address the deficiencies noted.

CSF communicated financial information to external stakeholders, including having its annual report tabled in the Legislative Assembly and posting it on its website. CSF participated in media interviews and held an annual general meeting. CSF also advised the Ministry when it encountered financial difficulties.

#### 4.5.2 Decisions Not Supported by Analysis

*We expected CSF to use financial information to take prompt corrective action as necessary to meet its financial and strategic obligations.*

In light of its financial difficulties, CSF reduced administrative and other staff positions and other operating costs in October 2013. In early 2014, the Director of Education resigned, and the Board hired an interim Director of Education and later appointed a new Board chair. CSF has planned additional reductions for managing its budget in 2014-15. However, it did not consistently take prompt corrective action during our audit period.

We found instances where the Board made decisions without receiving sufficient information. For example, as illustrated in **Figure 4**, the Board entered into commitments for a program without receiving appropriate analysis to support its decision. Overall, the lack of analysis to support the decision and untimely consideration of costs in the budget and lack of forecasts resulted in the inefficient use of scarce resources. Sufficient information could include documented analysis of costs, benefits, and risks to support management's recommendations and information on alternatives.

**Figure 4—Example of Decisions Made Without Adequate Analysis**

In a prior fiscal year, the Board approved management's recommendation to create a French program in a new location. Management did not prepare a formal business case providing a basis for its recommendation to the Board. Management appeared to have recommended the creation of this program based on interest received from two parents in that geographic area.

Also, although this decision occurred prior to development of the 2013-14 budget, CSF did not incorporate the costs associated with the program into the 2013-14 budget presented to the Board for review and approval.

In June 2013, CSF created a staff position to develop the program and hired an individual to fill the position at an annual salary of about \$63,000.

In August 2013, CSF entered into a verbal three-year lease arrangement of a building at a cost of \$2,000 per month (a written agreement was drafted but not executed). It planned to use the building to house the program.

In the fall of 2013, CSF cancelled the program due to lack of sufficient interest in the program in that geographic area.

In February 2014, CSF terminated the employment contract with the individual developing the program.  
At August 2014, CSF continued to pay the lease on the unused building while it was negotiating the termination of the verbal lease arrangement.

Source: Provincial Auditor Saskatchewan (September 2014).

In June 2014, the Board adopted a template for Board decision items. The template appropriately requires individuals making presentations to the Board to document options, implications (i.e., risks), and recommendations relevant to the decision item. Because this template was only adopted in June 2014, we were unable to observe its use.

Requiring use of the template when bringing forward decision items to the Board is a significant improvement from the informal process used previously. To realize the expected benefits of this template, the Board must require management to provide sufficient analysis for informed decision making to support the recommendations made using the template.

**10. We recommend that the Board of Conseil scolaire fransaskois use documented analysis to support significant decision items, including analysis of financial, strategic, and reputational implications of recommendations and alternative options.**





## 5.0 EXHIBITS

## 5.1 Conseil scolaire fransaskois Schools (écoles) by Education Area

Conseil scolaire fransaskois has 15 schools within nine education areas, including a virtual school.<sup>17</sup> The table below summarizes the schools located within each of the education areas and the enrolment at June 30, 2014 for Pre-K to Grade 6:

Education Area	School name (location)	Pre-K	K	1	2	3	4	5	6
Region scolaire des Battlefords	École Père Mercure (North Battleford)	23	9	7	3	8	8	1	4
	École Sans-Frontières (Lloydminster) <sup>a</sup>	24	13	8	3	4	2	1	1
Region scolaire de Bellegarde	École de Bellegarde (Bellegarde) <sup>b</sup>	11	2	5	9	7	8	8	5
Region scolaire de La Vieille	École Beau Soleil (Gravelbourg)	9	3	3	2	4	5	2	6
	École Secondaire Collège Mathieu (Gravelbourg)	-	-	-	-	-	-	-	-
	École Boréale (Pontheit)	10	3	-	6	-	2	3	-
Region scolaire de Prince Albert	École Valois (Prince Albert)	-	21	24	12	18	12	13	14
Region scolaire de l'école Providence	École Providence (Vonda)	21	9	11	12	10	5	6	10
Region scolaire de Regina	École Ducharme (Moose Jaw)	22	9	9	7	11	7	4	1
	École Monseigneur De Laval (Regina) – Élémentaire	101	62	46	37	36	40	20	23
	École Monseigneur De Laval (Regina) – PSQV	-	-	-	-	-	-	-	-
Region scolaire de Saskatoon	École Canadienne-Francaise (Saskatoon)	91	37	54	38	38	26	40	28
Region scolaire de l'école St-Isidore	École St-Isidore (Bellevue)	21	10	6	6	13	6	4	9
Region scolaire de Zenon Park	École Notre-Dame-Des-Vertus (Zenon Park)	7	5	4	1	6	3	3	2
Saskatchewan	Virtual School	-	-	2	-	1	1	-	-
<b>Total</b>		<b>340</b>	<b>183</b>	<b>179</b>	<b>136</b>	<b>156</b>	<b>125</b>	<b>105</b>	<b>103</b>

Source: Conseil des écoles fransaskoises.

<sup>a</sup> École Sans-Frontières includes 38 students from Alberta and 21 students from Saskatchewan.

<sup>b</sup> École de Bellegarde includes 12 students from Manitoba and 60 students from Saskatchewan.

<sup>17</sup> CSF also has nine students that are home schooled.

## 5.0 EXHIBITS

### 5.1 Conseil scolaire fransaskois Schools (écoles) by Education Area

The table below summarizes the schools located within each of the education areas and the enrolment at June 30, 2014 for Grades 7 to 12:

Education Area	School name (location)	7	8	9	10	11	12	Total
Region scolaire des Battlefords	École Père Mercure (North Battleford)	4	3	-	-	1	-	71
	École Sans-Frontières (Lloydminster) <sup>a</sup>	2	-	-	-	-	1	59
Region scolaire de Bellegarde	École de Bellegarde (Bellegarde) <sup>b</sup>	5	8	1	5	1	7	82
Region scolaire de La Vieille	École Beau Soleil (Gravelbourg)	5	-	-	-	-	-	39
	École Secondaire Collège Mathieu (Gravelbourg)	-	4	7	7	6	5	29
	École Boréale (Ponteix)	2	-	1	-	1	-	28
Region scolaire de Prince Albert	École Valois (Prince Albert)	13	8	10	1	6	2	154
Region scolaire de l'école Providence	École Providence (Vonda)	6	9	8	8	6	7	128
Region scolaire de Regina	École Ducharme (Moose Jaw)	6	5	1	4	-	-	86
	École Monseigneur De Laval (Regina) – Élémentaire	31	-	-	-	-	-	396
	École Monseigneur De Laval (Regina) – PSQV	-	32	24	23	9	15	103
Region scolaire de Saskatoon	École Canadienne-Francaise (Saskatoon)	39	36	40	32	23	25	547
Region scolaire de l'école St-Isidore	École St-Isidore (Bellevue)	5	7	9	3	8	9	116
Region scolaire de Zenon Park	École Notre-Dame-Des-Vertus (Zenon Park)	4	1	4	2	5	4	51
Saskatchewan	Virtual School	-	-	2	-	1	-	7
	<b>Total</b>	<b>122</b>	<b>113</b>	<b>107</b>	<b>85</b>	<b>67</b>	<b>75</b>	<b>1896<sup>c</sup></b>

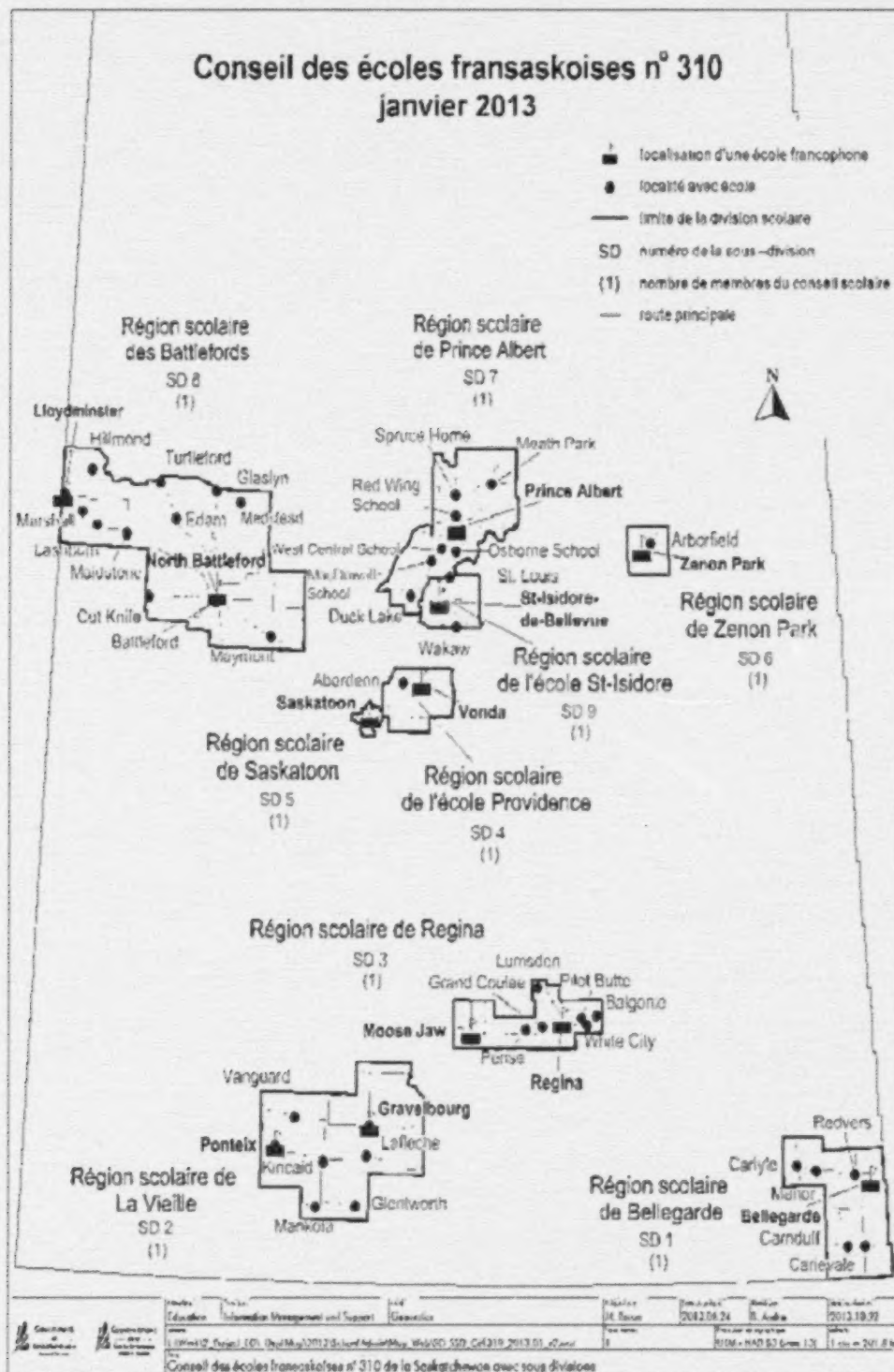
Source: Conseil des écoles fransaskoises.

<sup>a</sup> École Sans-Frontières includes 38 students from Alberta and 21 students from Saskatchewan.

<sup>b</sup> École de Bellegarde includes 12 students from Manitoba and 60 students from Saskatchewan.

<sup>c</sup> CSF also has five students that attended school in St. Lazare, Manitoba, that are excluded from the total.

## 5.2 Geographic Dispersion of Conseil scolaire francsaskois Schools (écoles)



## 6.0 GLOSSARY

**Expense-Basis of Accounting** – recognizes the cost of goods and services consumed in the accounting period (i.e., accrual basis).

**Francophone Education** – a French-language program offered entirely in French, with the exception of the English Language Arts course offered beginning in Grade 4. In a Conseil scolaire fransaskois school, French is used as a daily learning and communication tool in every facet of life. All correspondence, report cards, parent teacher interviews, committee and school council meetings are in French.<sup>18</sup>

**Fransaskois** – a noun used to refer to the Francophone people of Saskatchewan.<sup>19</sup>

**Governance** – generally refers to the processes by which organizations are directed, controlled, and held to account, and is underpinned by the principles of openness, integrity, and accountability. Governance is concerned with structures and processes for decision making, accountability, control and behaviour at the top of organizations.<sup>20</sup>

**Minority Language Instruction Program** – a program of instruction that is under the jurisdiction of the conseil scolaire and in which the French language is used and developed as a first language in instruction and in school activities.<sup>21</sup>

**Net Debt** – net debt is calculated as the difference between financial assets (i.e., assets that can be used discharge existing liabilities or finance future operations and is not for consumption in the normal course of business) and liabilities.

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<sup>18</sup> [http://celsk.ca/EN/EN\\_FAQ/index.html](http://celsk.ca/EN/EN_FAQ/index.html) (14 Jul 2014).

<sup>19</sup> [http://celsk.ca/EN/EN\\_FAQ/index.html](http://celsk.ca/EN/EN_FAQ/index.html) (14 Jul 2014).

<sup>20</sup> *Governance in the Public Sector: A Governing Body Perspective*, The International Federation of Accountants, p.1, August 2001.

<sup>21</sup> Section 2 of *The Education Act*, 1995.





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## Chapter 32

### Economy—Monitoring IT Service Providers

#### 1.0 MAIN POINTS

Information technology (IT) service providers are agencies or companies used to host, develop, and/or support IT systems and data.

For the 12-month period ended April 30, 2014, the Ministry of the Economy (Economy) had, other than for the following matters, effective processes to monitor whether its IT service providers appropriately managed and secured its IT systems and related data. Economy needs to:

- 1 Maintain current agreements with its IT service providers
- 2 Include appropriate provisions in agreements with IT service providers for security requirements and security reporting
- 3 Establish written policies and procedures for taking corrective actions and reporting on problems with IT service providers

#### 2.0 INTRODUCTION

Economy is responsible for leading and coordinating growth in Saskatchewan by working with other ministries, stakeholders, and the general public. Economy's mandate encompasses three primary lines of business: enhancing economic growth and competitiveness; regulating responsible resource development; and attracting, developing, and retaining a skilled workforce.<sup>1</sup>

Economy employs approximately 575 people across six divisions, and operates in Regina and other locations including Saskatoon and La Ronge.<sup>2</sup>

To deliver its programs and services, Economy relies on various IT systems, including systems to assign and track mineral rights, and to manage oil and gas reporting and royalties.

In 2013-14, Economy directly contracted three main IT service providers. One of these was the Information Technology Division of the Ministry of Central Services (ITD). ITD provided the majority of Economy's IT services<sup>3,4</sup> either directly (using its own staff) or through ITD hiring third-party IT contractors for work at Economy. In 2013-14, Economy paid ITD \$10.1 million (2012-13: \$6.3 million) for IT services,<sup>5</sup> and \$2.5 million (2012-13: \$1.8 million) to its other two main IT service providers.<sup>6</sup>

<sup>1</sup> Ministry of the Economy, *Plan for 2014-15*, p. 3, 4, and 5.

<sup>2</sup> [www.economy.gov.sk.ca/structure](http://www.economy.gov.sk.ca/structure) (18 July 2014).

<sup>3</sup> [www.cs.gov.sk.ca/ITServices](http://www.cs.gov.sk.ca/ITServices) (18 July 2014).

<sup>4</sup> The Information Technology Division of the Ministry of Central Services (Central Services) supports all ministries within the Government of Saskatchewan with the majority of their hardware and software, application development and IT security services.

<sup>5</sup> Ministry of Economy accounting records.

<sup>6</sup> *Ibid.*



It is vital that Economy effectively monitor its IT service providers to ensure that its IT systems and data are effectively managed and secured. If Economy does not effectively monitor its IT service providers, it may not receive good quality IT services or be aware of functional or security issues. This could result in problems with IT systems, including compromised security or errors in functioning in key IT systems. These systems contain sensitive personal and corporate (e.g., oil and gas company) information and are used to levy, collect, and record Saskatchewan's non-renewable resource revenues (i.e., 2013-14: \$2.5 billion,<sup>7</sup> 2014-15 First Quarter forecast: \$2.8 billion<sup>8</sup>) and related transactions for the government and other participants in the resource sector.

### 3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether Economy had effective processes to monitor whether its information technology (IT) service providers appropriately managed and secured its IT systems and related data. We assessed Economy's processes for the period of May 1, 2013 to April 30, 2014.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Economy's processes, we used criteria based on our related work, literature and consultations with management. Economy's management agreed with the criteria (see **Figure 1**).

We examined a sample of Economy's agreements, reports, and other documentation that related to Economy's IT service providers. We also examined a sample of ITD's agreements with third-party IT contractors who work at Economy. As well, we interviewed Economy staff, and reviewed meeting minutes and correspondence.

**Figure 1 – Audit Criteria**

To have effective processes to monitor whether IT service providers appropriately manage and secure its IT systems and related data, the Ministry of the Economy should:

- 1. Set effective agreements**
  - 1.1 Set out the IT services to be provided
  - 1.2 Assign responsibilities (i.e., between Economy and service providers)
  - 1.3 Specify security requirements
  - 1.4 Provide for adjustment and dispute resolution
- 2. Maintain capacity for monitoring IT service providers**
  - 2.1 Identify required resources for monitoring
  - 2.2 Assign responsibilities for monitoring (i.e., within Economy)
- 3. Monitor IT service delivery**
  - 3.1 Assess performance of IT service providers at key intervals (e.g., through review of reports, inspections, etc.)
  - 3.2 Verify issues and incidents are managed appropriately
- 4. Take timely corrective action**
  - 4.1 Set criteria for taking action
  - 4.2 Implement timely corrective measures
  - 4.3 Report on steps taken

**We concluded that, for the period of May 1, 2013 to April 30, 2014, the Ministry of the Economy had effective processes to monitor whether its information**

<sup>7</sup> Public Accounts 2013-14, Volume 1, p.67.

<sup>8</sup> Saskatchewan Budget Update 14-15, Steady Growth: First Quarter Financial Report, p.4.

technology (IT) service providers appropriately managed and secured its IT systems and related data, except that the Ministry needs to:

- 1 Maintain current agreements with its IT service providers (i.e., that reflect current structure, responsibilities, and programs of the Ministry)
- 2 Include appropriate provisions for security requirements and security reporting in agreements with IT service providers
- 3 Establish written policies and procedures for taking corrective actions on and reporting problems with IT service providers

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our expectations (in italics) and key findings and recommendations related to the audit criteria in **Figure 1**.

### 4.1 Effective Agreements Required

*To effectively monitor a service provider, an appropriate agreement must be in place. We expected to see such agreements in place between Economy and all of its IT service providers, and also between those IT service providers and contractors they hired to work at Economy. We expected that agreements would set out the services to be provided, assign responsibilities, specify security requirements, and provide for adjustment and dispute resolution.*

We found problems with Economy's agreements with two of its three main IT service providers.

First, Economy did not have an up-to-date agreement with ITD. The agreement had not been updated since 2011 even though numerous changes had occurred at Economy, including the amalgamations of parts of different ministries into Economy. As a result, the agreement did not reflect Economy's current structure, programs, services, or IT environment. Economy and ITD have developed a draft agreement to reflect the current programs, services and IT environment; however, the agreement has not yet been signed by either party.

Second, Economy did not have a current agreement with one of its other main IT service providers. This IT service provider hosts<sup>9</sup> and operates Economy's IT system for assigning and tracking mineral rights. In 2008, Economy signed a development agreement with this IT service provider for development of this IT system. This IT system went into operation in 2012. Since that time, Economy has experienced issues with this system's functionality. Economy is working with this IT service provider to resolve the issues. Pending resolution, Economy has withheld payments and not signed an agreement for the IT services it currently receives from this IT service provider.

Without up-to-date agreements, there is greater risk the parties will not have a clear understanding of what IT systems the service providers are responsible for, what

<sup>9</sup> "Hosting" is where the IT system servers and data are located at the service provider.





services the service providers are expected to provide, the levels of service and reports that Economy is to receive, and the cost to Economy to utilize the service providers. The absence of an agreement with the IT service provider hosting Economy's system and related data increases risks regarding the security and availability of that IT system and mineral rights data.

- 1. We recommend that the Ministry of the Economy maintain agreements with its IT service providers that reflect the current structure, responsibilities, and programs of the Ministry.**

We also found that Economy's IT agreements with two of the main IT service providers did not contain appropriate security requirements. For example, these agreements did not set out controls Economy expects these providers to use to protect Economy's systems and data against viruses or malicious software. Without appropriate security requirements in agreements, Economy's systems and data may not be properly protected, for example, against cyberattacks.<sup>10</sup> The agreements also do not specify the processes to follow to report a security breach to Economy. Therefore, if a security breach were to occur, Economy may not be informed in a timely way.

In addition, Economy's agreements with all three of its main IT service providers need to strengthen requirements for security reporting. For example, none of the agreements included adequate requirements for reporting security breaches to Economy. Nor do the agreements require ongoing reporting to provide Economy with assurance that security controls are effectively protecting Economy systems and data. Without adequate security reporting, Economy will not have adequate information to determine whether its data and systems are sufficiently protected.

- 2. We recommend that the Ministry of the Economy include appropriate provisions for security requirements and security reporting in agreements with IT service providers.**

As noted earlier, ITD provides certain IT services to Economy directly and other IT services by hiring third-party IT contractors to work at Economy. We found that the agreements ITD signed with these contractors for the delivery of services to Economy sufficiently outlined the expectations of the contractors, the roles and responsibilities of each party involved, and security requirements.

## **4.2 Sufficient Capacity Exists for Monitoring IT Service Providers**

*To appropriately monitor IT service providers, we expected Economy to assign the responsibility for monitoring to employees within Economy who are in positions to*

<sup>10</sup> Cyberattacks include the unintended or unauthorized access, use, manipulation or destruction (via electronic means) of electronic information and/or the electronic and physical infrastructure used to process, communicate and/or share that information. [www.publicsafety.gc.ca/cnt/rsrscs/pblctns/cbr-scrtr-strty/cbr-scrtr-strty-eng.pdf](http://www.publicsafety.gc.ca/cnt/rsrscs/pblctns/cbr-scrtr-strty/cbr-scrtr-strty-eng.pdf), p. 3 (16 July 2014).

*monitor the IT service providers. As well, we expected these supervising employees to have adequate resources and information to fulfill their monitoring role.*

Economy uses multiple employees to monitor IT service providers. These employees (supervising employees) are responsible for managing a particular IT service or system and monitoring the receipt of expected IT services. We found that these supervising employees were aware of their role and responsibilities, and were in positions that enabled effective monitoring. For example, supervising employees were directors of the units for which the IT service providers hosted systems.

However, as discussed in **Section 4.1**, Economy's agreements with its IT service providers did not set out appropriate IT security requirements including security reporting. Because of this, Economy did not have sufficient information to monitor whether these service providers appropriately secured its systems and data. See recommendation in **Section 4.1**.

As noted earlier, Economy used third-party contractors hired by ITD (IT contractors) primarily to work on its new IT system for oil and gas business processes.<sup>11</sup> These contractors helped develop the new system, program new requirements into the already functioning parts of the system, and maintain the system. During the audit period, approximately 40 IT contractors worked with Economy on this system. Consistent with its main IT service providers, Economy assigned certain employees to monitor the work of these IT contractors. We found those employees were adequately informed of their monitoring role and carried out their monitoring responsibilities. They had access to appropriate information and resources to carry out their monitoring responsibilities.

### 4.3 More Effective Monitoring of IT Service Delivery and IT Security Needed

*To effectively monitor IT service providers that provide hosting services, we expected Economy to receive reports related to system performance and security. As well, we expected Economy to review reports and communicate with its IT service providers to discuss updates, issues, or changes.*

Economy used a variety of methods to monitor IT service delivery. These methods included participation on committees with related stakeholders, review of reports from IT service providers, and direct communication with IT service providers and IT contractors. We found that Economy regularly met with representatives from all three of its main IT service providers, and participated on committees that help monitor them. We found senior management at Economy received and reviewed reports on the performance of each of its three main IT service providers (except, as noted earlier in **Section 4.1**, Economy did not require, and therefore did not receive, appropriate information on IT security). Not receiving adequate information on security increases the risk that IT systems and data will not be properly secured and insufficiencies in security will go undetected. This in turn increases the risk that systems and data may be accessed or changed without authorization or not be available when needed (see recommendation in **Section 4.1**).

<sup>11</sup> The new system is called the Integrated Resource Information System (IRIS). The project to develop the IRIS system is called the Process Renewal and Infrastructure Management Enhancement (PRIME) project. Our Office examined project management for development of PRIME and reported the results in our *2011 Report – Volume 2*, Chapter 6.



Where Economy identified issues and incidents related to IT services, we found that it adequately followed up with the related IT service providers. For IT services delivered through ITD, Economy used ITD's service desk to address problems. If Economy was of the view that ITD did not handle problems in a timely or adequate manner, it escalated the problem by contacting appropriate individuals at ITD until the problem was resolved to its satisfaction. For IT services delivered through other service providers, we found that Economy either met with or communicated regularly with those IT service providers to address issues or incidents.

For the third-party contractors hired by ITD to work at Economy (IT contractors), Economy's supervising employees held weekly meetings with them to review their progress on tasks. As well, the supervising employees produced a monthly performance report which reflected the amount of work tasked to and completed by the contractors.

If problems arose with an IT contractor's performance, Economy directly contacted the company through which ITD had hired the contractor to provide services to Economy. Where that company was not able to work with the contractor to resolve Economy's issues with the contractor's performance, Economy worked with the company and ITD to replace the contractor. Economy evaluated the impact of the problems on its staffing.

#### **4.4 Policies and Procedures Required for Taking Timely Corrective Action**

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*Employees monitoring IT service providers need to take corrective action when issues occur. We expected that Economy would establish criteria in written policies and procedures for taking action to address problems with its IT service providers. We expected the supervising employees to follow the Ministry's policies when taking action and to report on corrective actions to appropriate levels within the Ministry (i.e., to senior management).*

Economy's supervising employees identified problems with IT service providers through service reports and through its contacts with system users (both employees within Economy and external users of Economy's IT applications). Supervising employees demonstrated a clear understanding of corrective measures to take, and took corrective measures in a timely manner. For example, Economy contacted all three of its main service providers at various times and when resolving problems, escalated the problems to more senior levels as necessary. With respect to reporting, supervising employees kept relevant senior managers within Economy informed via emails and participation in meetings regarding corrective actions taken.

However, Economy did not have written policies or procedures to guide employees on actions to take on problems identified with IT service providers and IT contractors, and to guide related reporting. Without written policies and procedures, there is an increased risk that supervising employees may take inconsistent or inadequate action to address IT service problems, and that there may be resulting inefficiencies or errors in the IT services provided that could affect the cost, timely delivery, and operating effectiveness of IT systems.

3. We recommend that the Ministry of the Economy establish written policies and procedures for employees regarding taking corrective actions on and reporting problems with IT service providers.

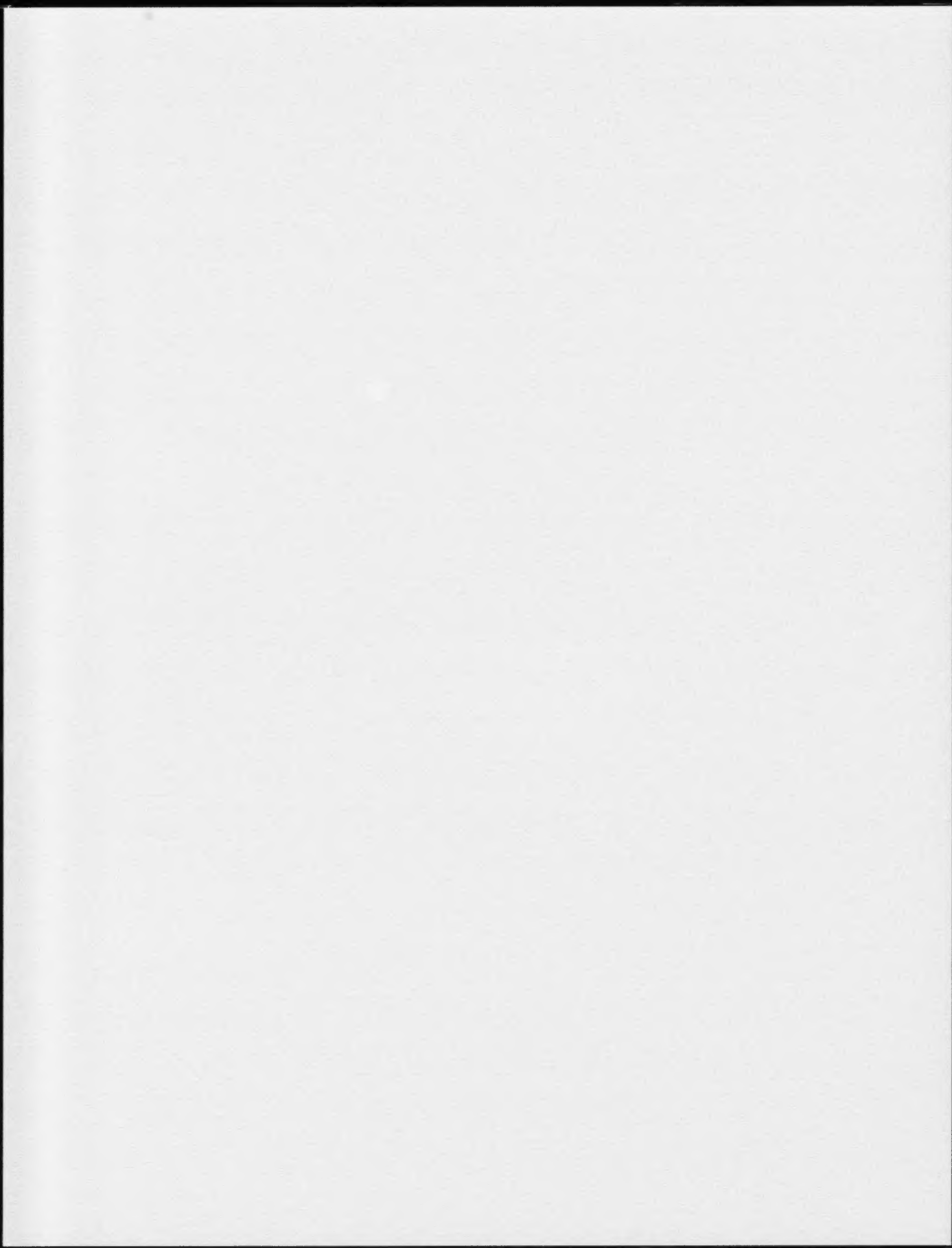
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## Chapter 33

### Government Relations – Processes to Assess Public Concerns

#### 1.0 MAIN POINTS

The Ministry of Government Relations (Ministry) is responsible for setting the legislative framework for municipal governments. Municipal governments, under this legislative framework, are the responsible and accountable level of government within their municipal jurisdiction. The Ministry works with municipalities, their representative associations, and other provincial agencies to help foster effective local government. When the public does not understand municipal government legislation or has concerns about municipal administration or services, they often express these concerns to the Ministry. The Ministry uses these concerns as a source of information to assist it in identifying areas for improvement to the system of municipal government.

For the 12-month period ending March 31, 2014, the Ministry had effective processes to assess concerns raised by the public for implications on the system of municipal government in Saskatchewan, except that it needs improve its guidance for assessing public concerns and track key information about those concerns in its electronic system.

#### 2.0 INTRODUCTION

One of the purposes of the Ministry is to coordinate, develop, promote, and implement government policies and programs related to cities, urban municipalities, rural and northern municipalities, and matters of an inter-municipal nature. It is also responsible for coordinating, developing, promoting, and implementing policies and programs related to providing financial, administrative, technical, and other support services to municipalities, and to associations of municipalities as described in *The Ministry of Government Relations Regulations*.<sup>1</sup>

This chapter describes the results of our audit of the Ministry's processes to assess concerns raised by the public for implications on the effectiveness of the system of municipal government in Saskatchewan.

#### 2.1 Background

The Ministry works with municipalities, their representative associations, and other provincial agencies to help foster effective local government and sustainable municipal infrastructure and services. It is responsible for setting and maintaining the municipal legislative framework and provides some technical and policy support for municipalities. In 2013-14, the Ministry spent \$375.7 million on municipal programs including \$369 million of transfers to municipalities.<sup>2</sup>

Under Saskatchewan's municipal legislation, the Minister of Government Relations may, by order, constitute any area within Saskatchewan as a municipality and may incorporate it as a city, town, village, resort village, rural municipality, northern town,

<sup>1</sup> *The Ministry of Government Relations Regulations*, s.3.

<sup>2</sup> Ministry of Government Relations, *2013-14 Annual Report*, p.19.

northern village, or northern hamlet.<sup>3</sup> The legislation provides the Minister with the power to establish and alter municipalities, issue orders or set regulations over various matters related to municipal administration and operations, and request an audit, investigation, or inquiry about the affairs of a municipality and its council.<sup>4</sup> The Minister also has the power to dismiss municipal councils and appoint administrators to manage or supervise municipalities.<sup>5</sup>

As shown in **Figure 1**, Saskatchewan has 782 urban, rural, and northern incorporated municipalities with varying sizes of population.<sup>6</sup> These municipalities operate under various Acts (e.g., *The Cities Act*, *The Municipalities Act*, and *The Northern Municipalities Act*, 2010).<sup>7</sup> Under these Acts, municipalities are recognized as a “responsible and accountable level of government within their jurisdiction”<sup>8</sup> and have the “rights, powers, and privileges of a natural person.”<sup>9</sup> The legislation provides elected municipal bodies with governmental powers, the legislative authority to carry out those powers, and the ability to enforce them.

**Figure 1—Breakdown of Incorporated Municipalities by Type**

By Category	#	Population Based on 2011 Census <sup>b</sup>	Range in Population Size
Urban Municipalities:			
Cities <sup>c</sup>	16	588,823	From 4,517 to 222,189
Towns	146	151,205	From 75 to 7,084
Villages	260	44,089	From 0 to 1,068
Resort Villages	40	4,092	From 10 to 765
<b>Total Urban</b>	<b>462</b>	<b>788,209</b>	-
Rural Municipalities	296	174,585	From 73 to 8,354
Northern Municipalities and Villages <sup>d</sup>	24	12,973	From 0 to 2,611
Non-Municipal Jurisdictions (parks, reserves)	Not Applicable	57,614	From 0 to 2,612
<b>Total</b>	<b>782</b>	<b>1,033,381</b>	

<sup>a</sup> Source: Ministry of Government Relations website, [www.municipal.gov.sk.ca/Programs-Services/Municipalities-Types](http://www.municipal.gov.sk.ca/Programs-Services/Municipalities-Types) (25 August 2014).

<sup>b</sup> Source: Saskatchewan Population Report 2011 Census of Canada, [www.stats.gov.sk.ca/stats/pop/Censuspopulation2006.pdf](http://www.stats.gov.sk.ca/stats/pop/Censuspopulation2006.pdf) (25 August 2014).

<sup>c</sup> Centres with populations more than 5,000 at time of incorporation incorporated under *The Cities Act*.

<sup>d</sup> The 24 northern municipalities are comprised of two towns, 11 villages, 11 hamlets. [www.municipal.gov.sk.ca/Programs-Services/Municipalities-Types](http://www.municipal.gov.sk.ca/Programs-Services/Municipalities-Types) (25 August 2014).

<sup>3</sup> Any park lands or First Nation reserve land located within the boundaries of a rural municipality are not parts of the municipality (Source: *The Municipalities Act*, s. 67).

<sup>4</sup> *The Cities Act* (s. 352(1), 353(1), 354(1), 356(1)), *The Municipalities Act* (s.395(1), 396(1), 397(1), 399(1)), *The Northern Municipalities Act*, 2010 (s. 416(1), 417(1), 418(1), 420(1)).

<sup>5</sup> *The Cities Act* (s. 356(2), 356(5), 357(1)), *The Municipalities Act* (s. 399(2), 399(5), 400(1)), *The Northern Municipalities Act*, 2010 (s. 420(2), 420(5), 421(1), 422(1)).

<sup>6</sup> [www.municipal.gov.sk.ca/Programs-Services/Municipalities-Types](http://www.municipal.gov.sk.ca/Programs-Services/Municipalities-Types) (25 August 2014).

<sup>7</sup> Through law, municipalities are provided with the power to impose taxes, pass municipal bylaws, and operate public utilities. Laws also set out requirements over municipal borrowing, budgeting, reporting, and specific governance requirements related to the duties of council members and mayors. These include declarations of pecuniary interests (conflicts of interest), terms of office, quorum, voting procedures, and meetings.

<sup>8</sup> *The Municipalities Act*, (s.3(1)), *The Cities Act*,(s.3(1)), *The Northern Municipalities Act*, 2010, (s.3(1)).

<sup>9</sup> *The Municipalities Act*, (s.4(3)), *The Cities Act*,(s.4(3)), *The Northern Municipalities Act*, 2010, (s.4(3)).

The public<sup>10</sup> raise concerns about municipalities to the Ministry, its Minister, or members of the Legislative Assembly. Concerns may be expressed, for example, about municipal administration, governance, municipal services, or property tax levies or processes. In 2013-14, the Ministry handled over 4,000 public inquiries about municipalities (including general inquiries, information requests, and specific concerns). It receives most of these inquiries directly via telephone calls.

When handling specific concerns, it is important that the Ministry help the public understand the municipal legislative framework. It is also important for the Ministry to use these concerns as a source of information to assist it to continually evaluate the effectiveness and clarity of Saskatchewan's municipal legislative framework. Having effective, documented processes will help ensure the Ministry fairly and consistently completes this evaluation.

### 3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to examine whether the Ministry of Government Relations (Ministry) had effective processes, from April 1, 2013 to March 31, 2014, to assess concerns raised by the public for implications on the effectiveness of the system of municipal government in Saskatchewan.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's processes, we used criteria based on related work and reviews of literature including reports of other auditors. Management agreed with the criteria (see **Figure 2**).

We examined the Ministry's documented processes for assessing, determining the potential impact, and communicating the results of its assessments of concerns from the public. We interviewed management responsible for making decisions about those concerns. We tested a sample of concerns to determine whether the Ministry followed its processes.

**Figure 2—Audit Criteria**

Effective processes to assess concerns raised by the public for implications on the system of municipal government in Saskatchewan include:

- 1. Maintain guidance for consistent and timely assessment of concerns**
  - 1.1 Maintain policies and procedures for assessing concerns
  - 1.2 Track key information about concerns
  - 1.3 Assign qualified staff to assess concerns
  - 1.4 Prioritize concerns (i.e., determine which concerns need immediate attention)
- 2. Determine potential impact of concerns**
  - 2.1 Analyze nature of concerns to identify systemic problems or potential problems
  - 2.2 Decide on action required and document rationale for decision
  - 2.3 Take action based on results of assessment
- 3. Communicate results of assessments**
  - 3.1 Report significant risks or implications to senior management
  - 3.2 Communicate significant systemic municipal issues to municipalities

**We concluded that, for the year ended March 31, 2014, the Ministry of Government Relations had effective processes to assess concerns raised by the public for implications on the system of municipal government in Saskatchewan except that**

<sup>10</sup> For purposes of this audit, we consider the public to include individuals, industry, municipal associations, or other municipalities.



it needs to improve its guidance for assessing public concerns and track key information about those concerns in its electronic system.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out the criteria (expectations) in *italics*, our key findings, and related recommendations.

### 4.1 Improved Guidance for Assessing Concerns Needed

*We expected that the Ministry would maintain written guidance that includes criteria to help prioritize concerns and promotes consistent and timely assessment of concerns based on documented analysis. The Ministry would make guidance readily available to staff. It would assign qualified staff to assess concerns and provide them with appropriate training. The Ministry would track key information about concerns. The Ministry would keep key information on public concerns in a central location or system. Keeping documentation centralized would help management monitor trends to identify possible systemic issues. Also, central documentation of concerns would help management monitor the status of responses.*

The Ministry receives concerns about municipalities from the public in many forms including letters, emails, and telephone calls. The Ministry receives concerns either via the Minister's Office, or directly at the Ministry. Three Ministry branches receive and handle the majority of concerns received – the Advisory Services and Municipal Relations Branch (ASMR), the Community Planning Branch (CP), and the Policy and Programs Branch (PPS). **Figure 3** briefly describes each branch and the source of concerns they receive.

**Figure 3—Ministry Branches that Commonly Handle Public Concerns and their Source**

Branch	Description of Branch	Source: Direct	Source: Via the Minister's Office
Advisory Services and Municipal Relations (ASMR)	ASMR provides services to municipal governments such as: - Administrative and technical advice to administrators/councils to support the effective and efficient operation of municipal government; - Preparation of municipal information manuals, technical bulletins and online documents <sup>a</sup>	Yes	Yes
Community Planning (CP)	The CP Branch provides tools and services to assist municipalities with planning and development. The Branch provides professional land-use planning advice and assistance to municipalities, other government ministries and the public. <sup>b</sup>	Yes	Yes
Policy and Program Services (PPS)	The Minister of Government Relations is assigned responsibility for various legislation, including the legislation that creates the system of municipal government. The PPS branch is responsible for updating and maintaining this legislation.	No	Yes

<sup>a</sup> [www.municipal.gov.sk.ca/Programs-Services/Advisory-Service/](http://www.municipal.gov.sk.ca/Programs-Services/Advisory-Service/) (17 September 2014).

<sup>b</sup> [www.municipal.gov.sk.ca/programs-services/community-planning-land-use](http://www.municipal.gov.sk.ca/programs-services/community-planning-land-use) (17 September 2014).

The Ministry has some documented policies and procedures to guide staff when assessing concerns. This guidance includes: assessing whether the concern falls under an area of Ministry responsibility, consulting relevant legislation, determining how to

proceed when the concern indicates a possible issue with the system of municipal government, and obtaining the required approvals prior to providing a response. For concerns received from the Minister's Office, the Ministry requires senior management to review and approve all written responses to these concerned parties before seeking the Minister's final approval of the response.

We found that the Ministry's documented guidance for assessing concerns differed between branches. While the documented guidance used by each branch included similar concepts, it differed in the level of detail provided. For example, one branch's guidance for assessing concerns received from the Minister's Office included a flow chart and a high-level overview of the process to assess and respond to concerns. Another branch's guidance for assessing concerns received from the Minister's Office included a different flow chart showing a similar process but it provided more detailed guidance to staff on the various steps in the process. Having different guidance in each branch for tracking and assessing concerns increases the risk of inconsistent tracking and assessment of concerns across the Ministry. Also, maintaining central guidance would be more efficient than maintaining multiple sets of documented policies and procedures in each branch.

**1. We recommend that the Ministry of Government Relations centrally maintain guidance for tracking and assessing public concerns regarding municipalities.**

The Minister's Office prioritizes concerns it receives by setting the date by which a response is required. While the Ministry does not have a documented process to set priority for concerns it receives directly, it strives to assess and respond to concerns received by phone within 24 hours (it receives the majority of its concerns via phone). The Ministry indicated that staffing levels at March 31, 2014 were adequate to handle the current volume of concerns.

For the concerns we examined, the Ministry assessed and responded to the concerns it received directly within its 24-hour target. For concerns received at the Minister's Office, most were responded to by the date requested by the Minister. For those that did not meet the deadline, the delays were not significant (one to seven days). The amount of time to assess and respond to each concern reflected the complexity of the concern.

The Ministry has approximately 35 staff who, as part of their duties, assess and respond to concerns. It maintains job descriptions that set out key competencies and experience requirements for these staff. Staff receive training on municipal legislation before they begin assessing and responding to concerns. Also, some staff belong to relevant professional organizations (e.g., many of the staff in the CP Branch are registered members of the Saskatchewan Professional Planners Institute). Also, senior management are involved in responding to concerns received from the Minister's Office.

The Ministry's guidance does not require staff responsible for assessing concerns to be objective and independent from the concerned party and the municipality that is the subject of the concern. The Ministry indicated it has a practice of not assigning staff to assess concerns where it knows a potential conflict of interest exists (e.g., where a Ministry staff member used to work for the municipality that is the subject of the concern).



received). For the concerns we examined, there was no documentation of whether staff analyzing the concern had any conflicts of interest.

Without identification of possible conflicts of interest between staff and the concerned party or the municipality that is the subject of the concern, there is an increased risk that staff will not objectively assess concerns. This may impair the Ministry's ability to identify systemic issues with the municipal system.

- 2. We recommend that the Ministry of Government Relations require staff responsible for assessing public concerns about municipalities to document potential conflicts of interest, and then assign staff accordingly.**

The Ministry does not give staff written guidance on when and how to document their analysis of concerns or require them to keep their analysis. Rather, some areas (i.e., Minister's Office and the ASMR Branch) use electronic tracking systems to guide staff on what information to document. Other branches that handle concerns keep key information in manual files (i.e., paper-based system). For concerns we examined, we found the Ministry completed sufficient analysis of concerns to support the Ministry's responses to concerned parties and identify systemic concerns in the system of municipal government. We found that this analysis was not consistently included in the information package that accompanied the draft response sent to senior management for approval.

Without complete guidance on when and how to document analysis of concerns, there is an increased risk that the Ministry will not complete sufficient analysis to identify systemic issues with the municipal government system. Also, this increases the risk of the Ministry not consistently assessing concerns in the event of unplanned staff turnover.

- 3. We recommend that the Ministry of Government Relations provide written guidance to staff on when and how to document their analysis of public concerns regarding municipalities.**

Concerns received by the Minister's Office are logged in the Government's Ministerial Log System and concerns received by staff within the ASMR Branch are logged in the Ministry's internal electronic system known as the Provincial Municipal Relations Database (PMR). As previously noted, this Branch handles the majority of concerns received. For each concern the ASMR Branch received, staff documented the concerned party's contact information, the date received, the format in which the concern was received, the name of the related municipality, the nature of the concern, and how and when the Ministry responded. Similar information is included in the Ministerial Log System, except that this system does not track the nature of the concern. See **Figure 4** for details on inquiries and concerns received during 2013-14.



**Figure 4—Number of Inquiries/Concerns Received During 2013-14 by Nature**

By Branch / Nature of Inquiry/Concern	Municipal Administration	Municipal Governance	Municipal Services	Taxation	Other	Total
Inquiries/Concerns received directly from the public by ASMR*	951	380	495	761	1,218	3,805
Concerns received directly from the public by CP	Not readily available as this Branch maintains manual files					About 100
Concerns received by the Minister of Government Relations	Not available – the Ministerial Log System does not include breakdown by nature of concern received					221
<b>Total</b>	<b>951</b>	<b>380</b>	<b>495</b>	<b>761</b>	<b>1,218</b>	<b>4,126</b>

Source: Ministry of Government Relations records.

For the purposes of this figure, numbers reported by ASMR include general inquiries, information requests, and specific concerns. 59% of the total inquiries, information requests, and concerns received related to urban municipalities and 41% related to rural municipalities.

The Community Planning Branch (CP Branch) receives concerns about municipalities related to use of land (i.e., zoning), land development, and policies made by municipalities about community development (i.e., municipal bylaws). The CP Branch records information about concerns in its manual files. Because of its use of manual files, management did not have readily-accessible information on the amount and nature of concerns received by the CP Branch.

Including information on concerns received by the CP Branch in the Ministry's electronic system (i.e., PMR) would help ensure consistent information is tracked for concerns it received, could help monitor trends to identify potential systemic issues, and would allow for improved reporting overall on concerns.

4. We recommend that the Ministry of Government Relations include key information about public concerns with potential impact on the system of municipal government received by the Community Planning Branch in its electronic system.

## 4.2 Potential Impact of Concerns Determined

*We expected that the Ministry would determine whether the concern relates to an area for which the Ministry is responsible. The Ministry would further analyze the concerns to identify whether the concerns indicate systemic problems or potential systemic problems. Then, based on documented analysis, the Ministry would decide upon, and take action to address the systematic problem, as needed.*

Ministry staff use their experience and knowledge of municipal legislation to determine if the concern relates to an area of Ministry responsibility. As noted in **Section 4.1**, staff receive training on municipal legislation. Where the concern was determined to be an





area outside of the Ministry's responsibility, we found staff promptly provided a response outlining potential further options for the concerned party.

For relevant concerns, staff use the guidance described in **Section 4.1** to assess concerns to identify potential systemic issues (e.g., concerns related to provincial grants to municipalities or differing interpretation of municipal legislation). Branches also use routine meetings to help identify systemic or common concerns.

If the assessment identifies that action is required (e.g., amend municipal legislation), staff identify the recommended action and, based on its assessment of risk and impact, the timeframe by which the action should be completed. For example, if staff assess the issue as low risk (e.g., requiring minor wording changes to legislation) they document the proposed change for inclusion in upcoming legislative revisions. If staff assess the issue as moderate to high risk, staff communicate the matter to senior management for consideration and direction.

As a result of concerns received and assessed in the 2013-14 fiscal year, the Ministry identified one systemic issue with the system of municipal government that was significant enough to require a prompt change to municipal legislation. This change related to the interpretation of the types of property tax collection fees that can be charged for property taxes in arrears under *The Tax Enforcement Act*. The Ministry also identified numerous minor wording changes to help improve the clarity of municipal legislation.

## 4.3 Results of Assessments Communicated to Senior Management

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*We expected senior management of the Ministry to receive information on significant risks or implications on the system of municipal government identified from the assessments of concerns received. We also expected the Ministry to communicate information to municipalities about any systemic issues identified.*

Senior management is kept informed of significant risks or implications arising from concerns in numerous ways. Most reporting to senior management is informal in nature (e.g., emails and verbal conversations). This communication generally occurs when staff identify potential issues and assess the concerns.

For concerns received directly by the Ministry, only the ASMR branch generated a report from its electronic tracking system (PMR) for review by the Executive Director of the ASMR branch. The quarterly report summarized the number of concerns received for the period by type (see **Figure 4**), and statistics related to the nature of the concerns. We reviewed a sample of these reports and found that the number of concerns has been consistent for the last five years. Also, our review did not identify any significant trends or issues. Senior management discuss any systemic issues noted at bi-weekly meetings or on an ad hoc basis, depending on the significance of the issue.

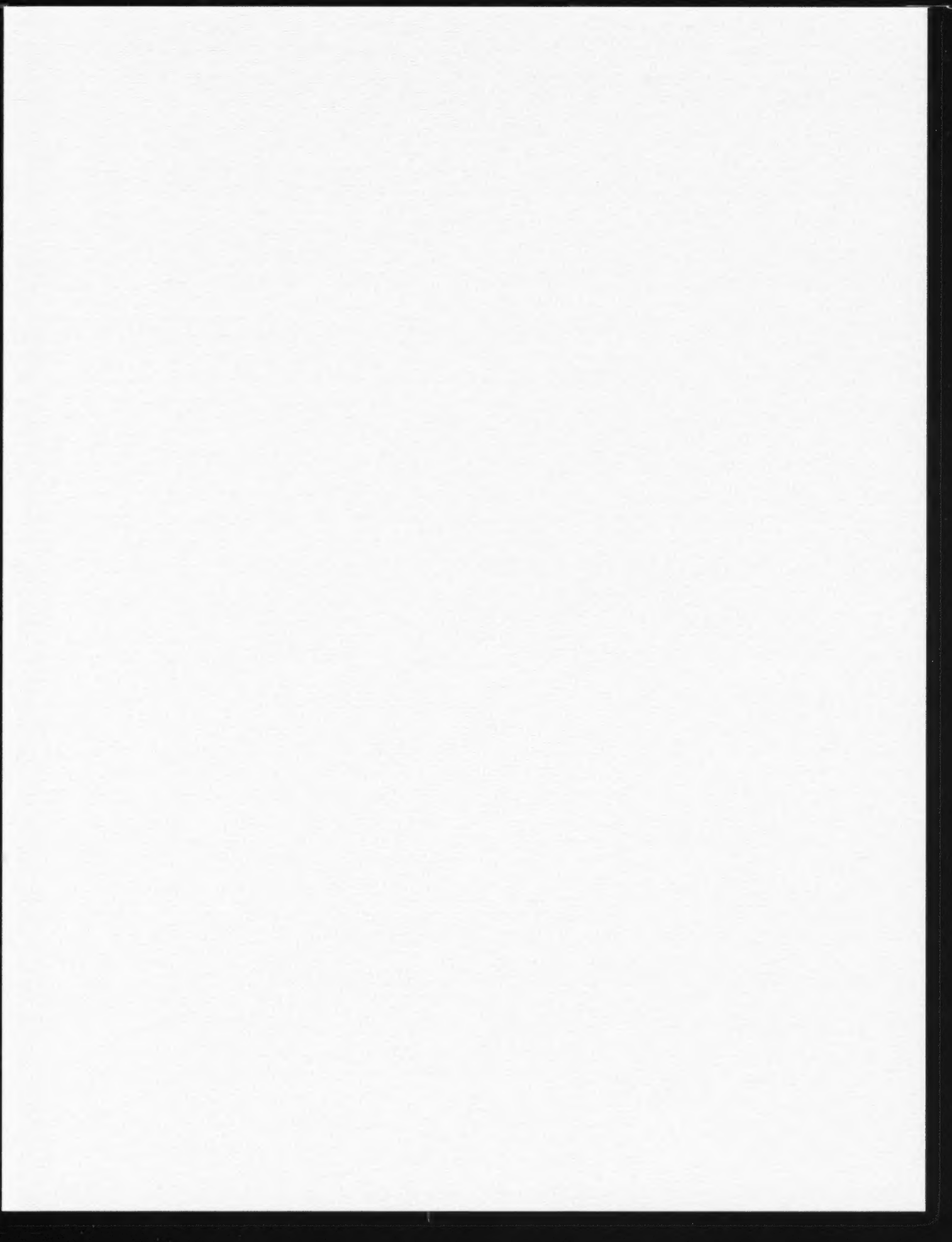
For concerns received by the Minister's Office, senior management relies on their direct involvement in responses, so they do not receive any formal reports on these.

The Ministry does not have any formal guidance on communicating issues to municipalities. Instead, management determines when and what to communicate based

on experience and professional judgment. When systemic issues of direct relevance to municipalities are identified, the Ministry communicates relevant information to municipalities in various ways. For example, it may include the matter in the Ministry's publication called *Municipalities Today*, send information bulletins to municipality administrators, make presentations or provide training sessions at various municipal conventions, and/or post information on its website. None of the concerns we examined required specific communication to municipalities.

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## Chapter 34

### Health Quality Council—Coordinating the Use of Lean Across the Health Sector

#### 1.0 MAIN POINTS

The health sector is using Lean as a common approach for continuous improvement to improve health care. The investment in Lean by the health sector has been large. Coordinating the use of Lean as a common continuous improvement methodology across the entire health sector is complex. Effective processes to coordinate the use of Lean are important to mitigate risks such as resistance and skepticism. Lack of effective processes could result in health agencies not achieving the intended results of the use of Lean, health care not improving, and inefficient use of resources.

The Ministry of Health (Ministry) hired a consultant in 2012 to assist in implementing the use of Lean throughout the health sector. In 2013, the Minister of Health assigned the Health Quality Council (HQC) responsibility for coordinating the use of Lean across the health sector through the Provincial Lean Office. Although the Ministry made HQC responsible for the Provincial Lean Office, it did not give HQC full authority to carry out all of its responsibilities. The consultant retained certain responsibilities. The Ministry also retained authority to manage the consultant and the consultant's contract.

This chapter reports that because HQC did not have full authority to carry out its responsibilities, it did not have effective processes to coordinate the use of Lean as a continuous improvement methodology across the health sector. The Ministry has recently decided not to renew its contract with the consultant. This decision will help align the authority of HQC with its responsibility for the Provincial Lean Office.

We made five recommendations to help HQC coordinate the use of Lean across the health sector. HQC needs to:

- 1 Implement a risk management framework for coordinating use of Lean across the health sector
- 2 Promote alignment of Lean activities across health sector agencies by sharing information that demonstrates how activities contribute to strategic priorities
- 3 Collect information from health sector agencies on ongoing results achieved through Lean events in the agencies
- 4 Give written reports to the Ministry and health sector agencies on the results Lean events have achieved, and the sustainability of those results
- 5 Report to the public on outcomes achieved through the use of Lean across the health sector

We did not assess the effectiveness of Lean methodology, nor outcomes achieved in comparison to money spent. Rather, we examined the processes HQC used to coordinate the use of Lean. These processes are important to mitigate the risks of implementing a continuous improvement methodology such as Lean.





## 2.0 INTRODUCTION

Lean is a continuous improvement methodology that involves analyzing processes to identify areas for improvement, carrying out activities intended to achieve those improvements, and monitoring the impact of changes. Many sectors have used Lean to improve processes.

The Government recognizes that it can be more efficient and effective. The Government is using Lean as a systematic way to improve systems and processes, streamline its work, and improve service delivery to the public.<sup>1</sup> It is also using Lean as one way to create a culture within the Government that will continuously seek to improve service delivery.<sup>2</sup>

Since 2009, the Ministry has required all agencies within the health sector to use Lean instead of allowing each agency to select its own quality improvement approach and train its staff on that approach. The Ministry expects that the use of this common approach to identify and make changes will facilitate more efficient and effective health sector-wide planning and health care delivery, and create a culture that will continuously seek to improve service delivery. The Ministry expects the use of Lean will help the sector to “think and act as one system.”<sup>3</sup>

To achieve these expectations requires leadership and coordination. Since 2013, HQC has been the key coordinating agency for Lean in the health sector.

This chapter sets out the results of our audit of the effectiveness of the HQC's processes to coordinate the use of Lean as a continuous improvement methodology across the health sector.

### 2.1 Evolution of the Use of Lean in Saskatchewan's Health Sector

Since 2006, when one regional health authority decided to use Lean, the Government has gradually expanded the use of Lean across the health sector. Since 2013, it has made HQC responsible for coordinating the use of Lean across the health sector. **Figure 1** sets out key milestones in the expansion of the use of Lean across the health sector.

In 2006, the Five Hills Regional Health Authority initially adopted the use of Lean. In 2008, the Ministry launched Lean internally (i.e., within the Ministry); then in 2009, it expanded the use of Lean to all regional health authorities (RHAs) and the Saskatchewan Cancer Agency. Each of these health agencies began to carry out some improvement activities using Lean methodology (Lean activities or events).

In 2011, through a request for proposal process, the Ministry hired a consultant to provide assistance in developing a strategic plan for the health sector using Lean methodology.

<sup>1</sup> <http://thinklean.gov.sk.ca/toplinks/faqs/index.html> (10 October 2014).

<sup>2</sup> <http://blog.hqc.sk.ca/2014/08/28/lean-reform-saskatchewan-healthcare-adopts-lean-management-for-big-benefits/> (14 October 2014).

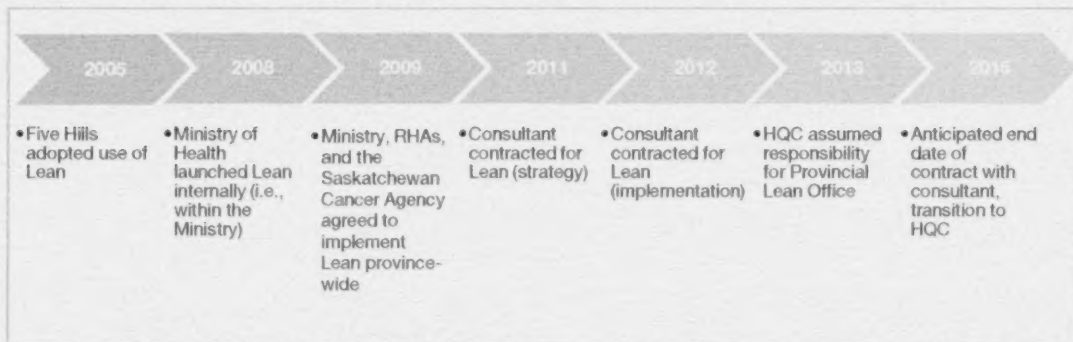
<sup>3</sup> <http://thinklean.gov.sk.ca/toplinks/faqs/index.html> (10 October 2014).

As the number of Lean activities increased, the Ministry and senior leadership in the health sector (i.e., RHAs and other health agency CEOs and board chairs) determined that the sector needed a consistent approach for using Lean to focus efforts and use resources effectively. This need resulted in the Ministry carrying out a further request for proposal process and rehiring the consultant in May 2012 (for a one-year term, with the option to extend the agreement for up to three additional years) to assist in implementation of Lean methodology.

This consultant helped establish a structure to support Lean quality improvement work within RHAs and other health agencies (including 3sHealth and eHealth). This structure included the creation of Lean offices.<sup>4</sup> The role of Lean offices was to promote and manage the Lean activity within the assigned health agency and sector-wide. Each Lean office consists of staff trained (or in the process of being trained) in Lean methodology. Lean office staff work with healthcare employees and patients in identifying, guiding, scoping, and monitoring Lean activities.

Initially, five RHAs<sup>5</sup> each set up a Lean office and the Ministry set up a Provincial Lean Office.<sup>6</sup> Eventually, the remaining health agencies established Lean offices.

**Figure 1 – Timeline Showing Use of Lean in the Saskatchewan Health Sector**



Source: Created from Ministry of Health and HQC records.

At the request of the Ministry of Health, on April 1, 2013 HQC assumed responsibility for coordinating the use of Lean across the health sector through assuming responsibility for the Provincial Lean Office from the Ministry.<sup>7</sup> HQC did not receive additional funding for this. At the same time, the Ministry retained responsibility for managing the contract with the consultant. The manner in which Lean is being implemented in the health sector is primarily driven by the Ministry's requirements as set out in its contract with the consultant. For example, its contract included the consultant providing extensive training to identified Lean leaders (e.g., over 800 healthcare employees), training all health sector employees at one-day introductory improvement courses, and completing Lean events at health agencies. The majority of those selected to complete the extensive Lean leader training were managers, directors, and senior leaders.

<sup>4</sup>The Lean offices are called Kaizen Promotion Offices.

<sup>5</sup>Saskatoon RHA, Regina Qu'Appelle RHA, Five Hills RHA, Prince Albert Parkland RHA and Prairie North RHA.

<sup>6</sup>The Provincial Lean Office is called the Provincial Kaizen Promotion Office.

<sup>7</sup>HQC was established in 2002 under *The Health Quality Council Act*. Its responsibilities include promoting improvement in the quality of health care through training and education. Its *Annual Report 2013-14* (p. 2) states HQC's mission is to "accelerate quality improvement in the quality of health care throughout Saskatchewan." Since its inception, HQC has been involved in quality improvement in the health sector.

Lean in the health sector involves the following key features:

- Strategic planning, including activities to identify and communicate sector-wide initiatives and build strategic plans with input from various levels within agencies
- Mapping out activities to identify how to streamline and make improvements
- Selecting specific work processes or infrastructure and carrying out intensive projects to achieve improvements
- Analysis and redesign of workplaces to make them safer, more organized, and more efficient
- Setting targets and monitoring the impact of changes (for example through visual systems that outline changes)

In August 2014, the Ministry announced that it would not be further renewing the contract with the consultant and that the contract would end on June 30, 2015 (with an option to extend the contract to September 30, 2015). As a result, HQC's role in supporting and coordinating Lean activities at RHAs and other health agencies will increase at that time.

## 2.2 Significance and Risk

Improving the health system is an important task. Lean has the potential to change the delivery of health services and operations, and to impact the province and its citizens in many ways and for a sustained period. Lean is particularly significant for Saskatchewan because of the scale of its use across the health sector (and across parts of the rest of government). The Ministry states that Saskatchewan is the first jurisdiction in the world to apply Lean on such a large scale across a variety of healthcare settings.<sup>8</sup>

The health sector in Saskatchewan involves over 20 agencies with varying roles. The health sector provides a wide range of programs and services across a large geographic area through thousands of employees to a diverse group of citizens. This increases the complexity of coordinating the use of Lean across the sector.

The investment in Lean to date has been large in absolute terms. From 2011 to July 2014, the Ministry paid the consultant \$23.3 million to assist in its deployment of Lean. Besides these costs, the health sector has spent time and dollars on setting up oversight structures (e.g., Lean offices), training, and carrying out Lean initiatives and events. From March 1, 2012 to August 31, 2014, 880 Lean events took place across the health sector.<sup>9</sup> Each of these events required the commitment of a team of employees for a certain amount of time depending on their role in the project. The costs associated with training and these events are not readily available, nor easily calculated. An evaluation of the use of Lean led by the University of Saskatchewan estimated that the average cost of one type of Lean event (making up just under one third of the number of total events) was approximately \$34,000 per event.<sup>10</sup> The investment in Lean has been

<sup>8</sup> [www.hqc.sk.ca/portals/0/documents/lean-faq.pdf](http://www.hqc.sk.ca/portals/0/documents/lean-faq.pdf) (6 October 2014).

<sup>9</sup> Source: HQC records.

<sup>10</sup> The cost does not include the cost of the consultant.

significant for the Ministry, RHAs and other health agencies, and the Government overall.

Requiring change and introducing new ways of doing things can be difficult. Skepticism and resistance are often the response to change. For example, in an April 2014 employee engagement survey conducted of RHA employees, only 46% of respondents said they agreed or strongly agreed with the statement "I support the continuous improvement efforts (i.e., Lean) in our department." Also, only 29% of respondents said they agreed or strongly agreed with the statement "I believe we are transforming the healthcare system to significantly improve the quality of care in the province."<sup>11</sup> For the introduction of Lean, managing reactions and responses has been a significant risk.

Effective processes to coordinate the use of Lean across the health sector are important to mitigate risks. Poor coordination could result in a lack of clarity on intended results, uneven implementation, not realizing efficiencies, services not improving, inefficient use of resources, loss of confidence in Lean as a continuous improvement methodology, and not adopting Lean methodology as the norm for work practices and culture.

### 3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of the Health Quality Council's processes to coordinate the use of Lean as a continuous improvement methodology across the health sector. We assessed the Health Quality Council's processes for the 12-month period of September 1, 2013 to August 31, 2014.

We did not assess the effectiveness of Lean methodology, nor outcomes achieved in comparison to money spent.

We examined HQC's policies and procedures that related to coordinating the use of Lean as a continuous improvement methodology. We examined planning documents, contracts, job descriptions, databases, reports, and other relevant documentation at HQC. We interviewed management and staff at HQC as well as at other health agencies.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate HQC's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. **Section 5** includes key sources for these criteria. HQC management agreed with the criteria (see **Figure 2**).

**Figure 2—Audit Criteria**

Effective processes for the Health Quality Council to coordinate the use of Lean across the health sector includes processes to:

**1. Provide leadership on deployment of Lean**

- 1.1 Communicate clear purpose for use of Lean at the strategic level, in alignment with direction from Ministry of Health
- 1.2 Work within health sector governance structures to coordinate use of Lean
- 1.3 Set timelines for activities and expected results
- 1.4 Develop risk management framework for use of Lean
- 1.5 Set clear reporting requirements (nature, extent, timing of information)

<sup>11</sup> [https://spx-wfe-prod.saskatoonhealthregion.ca/about/BetterEveryDay/Documents/saskatoon\\_health\\_region\\_employee.pdf](https://spx-wfe-prod.saskatoonhealthregion.ca/about/BetterEveryDay/Documents/saskatoon_health_region_employee.pdf) (8 October 2014).





- 2. Develop a strategy for use of Lean, in alignment with purpose**
  - 2.1 Identify intended results (consistent with overall purpose)
  - 2.2 Develop action plan (e.g., to coordinate Lean, support regional health authorities and other health agencies, and mitigate risks)
  - 2.3 Include key stakeholders in planning
  - 2.4 Communicate strategy to all stakeholders (e.g., Ministry, agencies, staff, public and other identified stakeholders)
- 3. Align Lean activities across the health sector**
  - 3.1 Supervise to promote alignment of Lean activities (e.g., provide tools and direction on activities, training, etc.)
  - 3.2 Support Ministry and agencies to mitigate risks
  - 3.3 Provide timely feedback
  - 3.4 Actively manage setbacks
- 4. Monitor and report results achieved**
  - 4.1 Control the quality of data and information used for reporting
  - 4.2 Monitor progress in achieving intended results and overall purpose
  - 4.3 Report on progress (e.g., internally, to Ministry, within sector, publicly)

As previously noted, in 2013, the Ministry assigned the Health Quality Council responsibility for the Provincial Lean Office. The functions of the Provincial Lean Office include building capacity in continuous improvement, establishing a provincial infrastructure, coordinating provincial continuous improvement activity, setting direction, and reporting on performance.

We found that although the Ministry made the Health Quality Council responsible for the Provincial Lean Office, the Ministry did not give the Health Quality Council full authority to carry out all of its responsibilities. Rather, the Ministry has given the consultant certain responsibilities relating to coordinating the use of Lean. The Ministry also retained its authority to manage the consultant and the consultant's contract.

Because the Health Quality Council did not have full authority to carry out its responsibilities, we concluded that the Health Quality Council did not have effective processes for the 12-month period of September 1, 2013 to August 31, 2014 to coordinate the use of Lean as a continuous improvement methodology across the health sector.

As previously noted, the Ministry has decided not to renew its contract with the consultant. This decision will help align the authority of the Health Quality Council with its responsibility for the Provincial Lean Office.

We further found that the Health Quality Council did not have a risk management framework for coordinating Lean across the health sector. It needed to promote alignment of Lean activities at health sector agencies by sharing information that demonstrates how activities contribute to strategic priority areas.

Health Quality Council needed to improve how and what information it collected from health sector agencies to enable it to monitor and assess the benefits achieved through using Lean. Furthermore, it needed to improve its reports to the Ministry of Health and health sector agencies on Lean activity results, and to the public on the outcomes achieved through the use of Lean.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our criteria (in *italics*), key findings, and recommendations by the audit criteria set out in **Figure 2**.

### 4.1 Provide Leadership on Deployment of Lean

#### 4.1.1 Clear Purpose for Use of Lean Communicated

*We expected HQC to communicate clearly the purpose for the use of Lean to make health agencies, employees, and the public aware of the reasons for using Lean throughout the health sector.*

The Ministry has set out the purposes for the use of Lean. The Ministry's annual Plan for the health sector, developed in collaboration with senior leadership from RHAs and other health sector agencies (we will refer to RHAs and other health sector agencies collectively as health agencies), shows continuous improvement (Lean) as part of the foundation for achieving better health through better teams, better care, and better value.<sup>12</sup> The Ministry's purpose for the use of Lean in the health sector is in response to recognition that the health system does not work as well as it could or should.<sup>13</sup>

As outlined in its Plan, the Ministry expects the Ministry itself and health agencies to use Lean tools and methodologies to work both towards achieving breakthroughs related to priority outcomes as well as making incremental improvements related to other outcomes. For example, for 2014-15, the main priority outcome for the health sector was to eliminate emergency department wait times by March 31, 2017. The Plan includes other outcome areas where the health sector expects to make incremental improvements such as mental health and addictions, seniors care, and referral to specialists and diagnostics.<sup>14</sup>

HQC describes Lean as a set of operating philosophies and methods that help create maximum value by reducing waste, including the waste of time waiting for service. It expects health sector agencies to use Lean to eliminate waste or lack of efficiency in processes (e.g., waiting or duplication), eliminate defects (i.e., errors or potential for errors), and remove activities that do not add value.<sup>15</sup>

HQC states that Lean makes health care better in several ways:

- › It increases safety by eliminating defects and errors
- › Patients are more satisfied with their care
- › The staff doing the work are the ones who look for waste and find better ways to deliver care
- › It reduces cost, by getting rid of waste
- › Patients have better health outcomes<sup>16</sup>

<sup>12</sup> Ministry of Health and Health Care System, *Plan for 2014-15* p. 3.

<sup>13</sup> [www.hqc.sk.ca/portals/0/documents/lean-faq.pdf](http://www.hqc.sk.ca/portals/0/documents/lean-faq.pdf) (6 October 2014).

<sup>14</sup> Ministry of Health and Health Care System, *Plan for 2014-15*.

<sup>15</sup> [www.hqc.sk.ca/portals/0/documents/lean-faq.pdf](http://www.hqc.sk.ca/portals/0/documents/lean-faq.pdf) (6 October 2014).

<sup>16</sup> [www.hqc.sk.ca/improve-health-care-quality/lean/](http://www.hqc.sk.ca/improve-health-care-quality/lean/) (1 October 2014).



As such, HQC's intent for the use of Lean (including Lean events and activities and their related training) is not only to make improvements in the specific areas worked on, but also to create a culture that will continuously seek to improve service delivery.

We found that HQC communicated messages consistent with the purpose of Lean through its website, blog, and other communications. For example, key messages in communications included the message that "we are committed, as a [healthcare] system, to using Lean methodology to ensure the care we deliver is compassionate and patient and family centred, with no harm to patients and no waiting."<sup>17</sup> As well, HQC's website describes Saskatchewan's use of Lean in health care as "a common approach to providing the best possible care, most efficiently."<sup>18</sup>

#### 4.1.2 Coordinating within Health-Sector Governance Structures

*We expected that HQC would work within health sector governance structures to coordinate use of Lean throughout the health sector.*

In 2013, HQC and the Ministry, in collaboration with the consultant, determined that the Provincial Lean Office would have five key functions: build capacity in continuous improvement, establish a provincial infrastructure, coordinate provincial continuous improvement activity, set direction, and report on performance.

We found that although HQC has the responsibility for the Provincial Lean office, it did not have full authority to carry out its responsibilities. We found the Ministry has given the authority for significant aspects of the deployment and coordination of Lean to the consultant through its agreement (see **Figure 3**). The Ministry's August 2014 decision not to renew its contract with the consultant will help align the authority of HQC with its responsibility for the Provincial Lean Office.

**Figure 3—Role of Consultant for Lean Across the Health Sector**

Since 2012, the role of the consultant in the use of Lean in the health sector has been significant, including the consultant's role to lead the deployment of Lean across the health sector. The consultant:

- 1 Assisted in establishing a structure to support Lean activities (the structure for the Lean offices and the Provincial Lean Office).
- 2 Designed, and delivered the training curriculum in Lean methodology and tools.
- 3 Scheduled and facilitated Lean events at individual health agencies. The intent of Lean events is to focus on making improvements that relate to Saskatchewan's healthcare priorities as determined by the Ministry in collaboration with health agencies.

Source: Ministry's agreements with the consultant.

HQC works with health agencies predominantly through interactions between the Lean offices located at each health agency and the Provincial Lean Office located at HQC. HQC works with health agencies through monitoring and reporting on progress on Lean activities and sharing information on Lean activities (e.g., projects in agencies to analyze and improve specific processes).

For example, HQC recognized that one problem facing health agencies was working in isolation, rather than learning from one another. This can result in redundancies and inefficiencies that can contribute to poor service and higher costs. HQC provided

<sup>17</sup> [www.hqc.sk.ca/portals/0/documents/lean-faq.pdf](http://www.hqc.sk.ca/portals/0/documents/lean-faq.pdf) (6 October 2014).

<sup>18</sup> [www.hqc.sk.ca/improve-health-care-quality/](http://www.hqc.sk.ca/improve-health-care-quality/) (1 October 2014).

various ways for health agencies to learn from one another. These included bi-weekly conference calls, periodic face-to-face meetings, and providing websites where health agencies could access information and resources about Lean. We heard from health agencies that they considered these HQC-arranged contacts useful.

HQC took the lead on a key health sector priority. In April 2013, HQC received funding from the Ministry of Health to establish a team to lead the current key strategic initiative for the health sector: the emergency department waits and patient-flow initiative. This team was responsible for coordinating, with health agencies, Lean activities related to the goal of eliminating emergency department wait times.<sup>19</sup> HQC would coordinate teams of healthcare employees (along with patients) from across the province with the goal of understanding and improving processes that contribute to patient wait times in emergency departments. During our audit period, the work of this initiative was in the planning stage.

HQC works closely with a guiding coalition that consists of the Deputy Minister of Health, the CEO of HQC, and the CEOs of two RHAs. This guiding coalition provides oversight and advice on implementing Lean. This included reviewing and finalizing with the consultant the schedule for training and events across the health sector.

#### 4.1.3 Timelines Set for Activities and Expected Results

*We expected HQC would set timelines for the completion of key activities (such as training of staff, identifying the need for and facilitating Lean events or activities) and that it would set out what results it expected from these activities (e.g., improved understanding of the purpose for the use of Lean, improvements in identifying ways to improve service delivery).*

Prior to HQC becoming responsible for the Provincial Lean Office, the Ministry, through its agreement with the consultant, and the individual health agencies set timelines for completion of key activities and results expected. The Ministry's intent for Lean events was for health agencies to make improvements that relate to Saskatchewan's healthcare priorities. Each health agency chose its areas of focus for specific Lean activities and was responsible for identifying results of those activities.

HQC actively kept informed of the timing and results expected through its involvement with the guiding coalition, and its work with the individual Lean offices located at the health agencies. Effective July 2015, with the discontinuation of the consultant's contract, HQC expects to assume authority for facilitating training and Lean activities and events and assisting health agencies in planning for Lean events. At August 2014, as discussed in **Section 4.2.2**, it was planning for this transition.

#### 4.1.4 Risk Management Framework for Use of Lean Needed

*We expected that HQC would develop a rigorous approach for identifying and mitigating risks related to coordinating the use of Lean. Such an approach would be particularly important as HQC prepared to assume greater responsibilities with the discontinued use of the consultant.*

<sup>19</sup> Per agreement with the Ministry of Health.





As discussed in **Section 4.1.2**, the Ministry, through the work of the consultant, led the introduction and use of Lean across the health sector. The Ministry assigned responsibility for the Provincial Lean Office to HQC in April 2013. However, by August 2014, HQC had not developed or used a risk management framework to manage risks related to coordinating the use of Lean. As noted in **Section 4.3.2**, HQC took numerous steps to mitigate risks on an ad hoc basis.

Use of a risk management framework may have better equipped HQC and health agencies to address issues that occurred in the deployment of Lean, such as workplace resistance to Lean introduction and a lack of flexibility in adapting Lean processes accordingly.

Absent a more rigorous approach to managing risk, HQC will be less prepared to address issues as they arise.

1. **We recommend that the Health Quality Council implement a risk management framework for coordinating the use of Lean across the health sector.**

#### 4.1.5 Clear Reporting Requirements Set

*We expected that HQC would set reporting requirements for health agencies for Lean activities and events and that these requirements would clearly set out the nature, extent, and timing of reports required.*

The Ministry, through its consultant, set the reporting requirements for specific Lean activities and events (i.e., content and measurements of monthly reporting and audit reporting) prior to HQC assuming responsibility for the Provincial Lean Office. HQC has continued to use these reporting requirements. As required, health agencies report in two main areas to HQC. They are:

- 1 Monthly results of Lean events within their agency or region. The monthly reports include numerous measures including baseline measures, improvement targets, and results. They also contain anecdotal quotes from participants in the Lean events.
- 2 Updates or “audits” of past Lean events. The purpose of the audits is to assess whether the health agency is maintaining changes achieved by the Lean events. Under Lean, health agencies must complete audits 30, 60, 90, and 180 days after the initial Lean event.

HQC has not developed any additional reporting requirements (e.g., through use of measures on whether the use of Lean is creating a culture that continuously seeks to improve service delivery). In **Section 4.4.2**, we highlight the need for additional information about whether Lean is achieving its intended results.

HQC’s role, during our audit period, related primarily to communicating reporting requirements (through use of a common web portal), and collecting and collating monthly reports from health agencies. We found that HQC developed an Internet information-sharing platform for collection, analysis, and presentation of information about Lean events and activities. We heard from health agencies that they found this platform useful.

## 4.2 Develop a Strategy for Use of Lean, in Alignment with Purpose

### 4.2.1 Intended Results (Consistent with Overall Purpose) Identified

*We expected HQC to identify results that the health sector intended to achieve through use of Lean. The results would be consistent with the overall purpose for Lean articulated by the Ministry.*

Prior to HQC becoming responsible for the Provincial Lean Office, the Ministry had clearly identified the results it expected the health sector to achieve through use of Lean. As described in **Section 4.1.1**, the Ministry set these priorities through collaborative planning with other sector partners including HQC. The Ministry's plans included one main priority with a large planned change (i.e., eliminate emergency department wait times) and several other outcome areas with incremental changes.

We found HQC's role was more limited to helping health agencies use Lean as they worked towards health sector priorities and intended outcomes. HQC supported the main priority through its work on the emergency department waits and patient-flow initiative. It supported the work of the other outcome areas through the various supports it provided to health agencies (e.g., through monitoring and reporting on progress on Lean activities and sharing information on Lean activities).

### 4.2.2 Develop Action Plans

*We expected HQC would develop action plans to coordinate use of Lean and that these plans would support health agencies in using Lean, and mitigate risks resulting from its use.*

Prior to HQC becoming responsible for the Provincial Lean Office, the Ministry decided, through its agreement with the consultant, on the main action plans to deploy Lean. As noted in **Section 2.1**, action plans included training 800 staff and requiring them to participate in Lean events so that they can achieve certification as "Lean Leaders".

Starting in early 2013, HQC developed a Transition Plan, in part, to support the transition as the consultant's role winds down. The Plan clearly outlines the role and five main responsibilities HQC will fulfill to coordinate the use of Lean and support health agencies:

- › Set direction
- › Establish provincial infrastructure
- › Report on performance
- › Coordinate improvement activity
- › Build capacity in improvement activity

We note that these main responsibilities are consistent with our criteria as set out in **Figure 2**.



We found that the Transition Plan contained, for each responsibility, action plans, critical work dates, objectives and deliverables, requirements for success, and names of HQC staff involved in delivering the work.

We found that HQC was in the process of implementing this Plan. For example, with respect to establishing provincial infrastructure, HQC has provided and managed an information-sharing platform for Lean offices. With respect to building capacity in improvement activity, HQC has managed and tracked progress of completion of Lean training at health agencies.

With respect to its emergency department waits and patient-flow initiative, we found that HQC has developed action plans for implementing a coordinated approach to improving emergency department waits. The extent of improvement work will be dependent on the level of funding the Ministry provides health agencies. At August 2014, the Ministry had not finalized its funding to health agencies for this initiative.

### 4.2.3 Key Stakeholders Included in Planning

*We expected that HQC would include key stakeholders (e.g., health agencies) in planning. Including key stakeholders in planning would help HQC determine the activities it needed to perform to effectively coordinate the use of Lean across the health sector.*

As described in **Section 4.2.2**, HQC's Transition Plan outlines HQC's main responsibilities and sets out related actions for coordinating the use of Lean. As part of its planning, HQC asked health agencies what specific support they would like to receive from HQC.

The HQC team leading the emergency department waits and patient-flow initiative consulted with stakeholders through task teams and an advisory group in planning improvement work for reducing emergency wait times.

### 4.2.4 Strategy Communicated to Stakeholders

*We expected HQC to communicate the strategy for use of Lean to stakeholders. These stakeholders include the Ministry, health agencies, staff, public, and other identified stakeholders.*

As previously noted, the main components of the strategy for use of Lean related to providing extensive training to identified Lean leaders, training all health sector employees at a one-day introductory improvement course, and completing Lean events at health agencies. Health agencies received information about this strategy through planning for participation in training and events. HQC communicated this outside the health sector through information about training and activities, for example on HQC's website.<sup>20</sup>

With the August 2014 decision not to renew the consultant's agreement, HQC has accelerated the development of its Lean leadership ability so that it can provide an adequate level of support to health agencies (e.g., training, facilitating, and coaching). HQC communicated key decisions related to its transition to health sector employees involved in Lean at its annual face-to-face meeting in September 2014.

<sup>20</sup> <http://blog.hqc.sk.ca/about-lean/> (14 October 2014).

HQC communicated its plans about the emergency department waits and patient-flow initiative through meetings with the Ministry, health agencies and patient groups.

## 4.3 Align Lean Activities Across the Health Sector

### 4.3.1 More Information Required to Improve Alignment

*We expected HQC would promote alignment of Lean activities across the health sector through supervision of activities at health agencies. This would include, for example, providing tools and directions on Lean activities and providing training.*

To promote alignment of Lean activities, HQC reinforced the purpose of the use of Lean and provided health agencies with vehicles and forums for sharing information about Lean. Also, HQC administered a website to share information on training, standards, and Lean activities. As well, HQC provided online tools that tracked the status of health agency training in Lean methodology, Lean events, and audits (status updates) of Lean events.

HQC hosted a bi-weekly forum for health sector employees involved in Lean to discuss the use of Lean in their health agencies. HQC also used this forum to discuss other Lean-related areas such as training, challenges encountered, and reporting requirements.

The Ministry expects the use of Lean will help the health sector to “think and act as one system.” HQC collected and shared information from health agencies so that health agencies could align their own activities. However, we found that HQC did not share information that demonstrated which Lean activities were contributing to strategic priority areas. Without this information, health agencies are less equipped to plan their own activities to align with strategic priority areas. As a result, there is a risk that the health sector will not “think and act as one system.”

2. **We recommend that Health Quality Council promote alignment of Lean activities across health sector agencies by sharing information that demonstrates how activities contribute to strategic priority areas.**

We found that in regards to the emergency department waits and patient flow initiative, HQC had taken steps to promote alignment of the work of health agencies with respect to emergency department wait times. For example, it prepared a summary of improvement work related to emergency wait times that health agencies had undertaken. This summary included planned and implemented Lean events, observations on whether the Lean events were or could be replicated, and challenges.

### 4.3.2 Better Support for Ministry and Health Agencies to Mitigate Risks Needed

*We expected that, as part of aligning Lean activities across the health sector, HQC would provide support to the Ministry and health agencies to mitigate risks related to use of Lean.*





Even though HQC did not have a risk management framework, it helped support health agencies to mitigate informally-identified risks on a reactive basis.

For example, to address issues of negative media attention and resistance from healthcare workers, HQC, the Ministry, and representatives from health agencies developed a communication plan. The plan considered the roles and responsibilities of HQC, the Ministry, and health agencies. It included tools, tactics, and key messages.

Also, one output of the 2014-15 communications plan was the creation of a rapid response team to provide a rapid, coordinated response to media stories on Lean. This team was comprised of members from HQC, the Ministry, and several RHAs.

As well, through its web portal, HQC shared key messages and frequently-asked questions to help agencies address public or employee concerns regarding Lean and to promote understanding of the purpose of the use of Lean in the health sector.

In August 2014, senior management from across the health sector, including from HQC, identified a number of risks that had the potential to significantly impact the health sector as it continued to use Lean. Risks included a lack of depth in Lean leadership capability, a lack of coaching ability for Lean, and the absence of an informed and engaged healthcare workforce and public regarding Lean methodology and results. This group identified the need to work jointly to mitigate these risks.

While HQC took steps to support the Ministry and agencies in mitigating specific risks, a more rigorous risk management framework would assist them to more effectively manage risks (see recommendation in **Section 4.1.4**).

### 4.3.3 Provide Timely Feedback

*We expected that HQC would provide feedback to health agencies to assist them to align their activities with the overall purpose of Lean and the priorities set by the Ministry in collaboration with health sector agencies.*

We found that HQC's feedback to health agencies focused on improving standardized reporting on the results of Lean events. Primarily, HQC used emails to the agencies to give timely feedback. Sometimes HQC gave additional feedback or general information through its bi-weekly forum for health agencies. This was appropriate given the more extensive role of the consultant in facilitating health agency Lean events and activities and in providing feedback to health agencies.

### 4.3.4 Actively Manage Setbacks

*We expected that HQC would take steps to actively manage setbacks as they occurred.*

HQC recognizes that the implementation of Lean across the health sector has encountered setbacks. These have included, for example, lack of progress in specific Lean activities in some health agencies, high-profile and public opposition to Lean, a perceived lack of ability to adjust plans to address deficiencies, and the absence of tools to help organize information collected from health agencies.

HQC helped health agencies respond to questions from the media and employee concerns about Lean. It also assisted in adjusting Lean-implementation plans to address

deficiencies (for example, by assisting in modifying Lean training to meet identified needs). It also created tools to help gather and organize information from health agencies to help the agencies take advantage of others' experiences with Lean.

As noted earlier, implementation of a risk management framework would have assisted HQC to proactively mitigate risks and better manage setbacks (see **Recommendation 1**).

## 4.4 Monitor and Report Results Achieved

### 4.4.1 Control the Quality of Data and Information Used for Reporting

*We expected that HQC would provide support to health agencies through instructions, templates, standards, and other resources to control the quality of data and information used for reporting of Lean events.*

HQC has continued to promote data and information standards developed by the consultant. HQC shared those data and reporting standards with health agencies through its web portal. Also, HQC provided updates on standards to health-agency Lean offices through the bi-weekly forum that it hosted.

Aside from sharing information, we found that HQC's role was limited to providing feedback to health-agency Lean offices on their reporting as described in **Section 4.3.3**. HQC provided this feedback on reporting from health agencies through emails to health-agency Lean offices.

### 4.4.2 Improved Monitoring of Progress Required

*We expected that HQC would routinely monitor progress in achieving intended results and the overall purpose of Lean. It would do this, for example by actively monitoring activities and results achieved through Lean events at health agencies, and monitoring outcomes achieved at health agencies and across the health sector.*

We found the HQC received data from health agencies on Lean events through its web portal and then updated information in a database and reports.

Also, we found HQC did not take steps to monitor whether agencies completed all of the required audits and reported the results of those audits to HQC (see **Section 4.1.5** regarding setting of reporting requirements). We found that the information in its database was not complete. For example, we found that:

- › 48% of specific process improvements of health agencies did not have updated information after 30 days
- › 47% did not have updated information after 60 days
- › 57% did not have updated information after 90 days
- › 73% did not have updated information after 180 days as required<sup>21</sup>

<sup>21</sup> These time frames are specified in a work standard created by the consultant hired by the Ministry.



HQC stated that this was either because health agencies were not tracking their Lean events or because the health agencies did not submit the information to HQC as required.

It is important that HQC know whether agencies complete their “audits” when expected and submit results to HQC. Without knowing the status of improvement activity, it is impossible for HQC to know whether the use of Lean was actually creating sustainable change.

**3. We recommend that Health Quality Council collect information from health sector agencies on ongoing results achieved through Lean events in the agencies.**

We also found that HQC’s reporting did not link the output of Lean events to health sector strategic priorities. Without this link, it is impossible to know whether and how Lean activities contribute to the sector’s priorities or whether the use of Lean was successful in creating a culture of continuous improvement.

HQC stated it is working on improving the reporting of Lean activities to link to larger sector priorities. For example, in 2012, HQC commissioned an independent research team from the University of Saskatchewan to undertake a multi-year evaluation of Lean in the health sector. During our audit period, the team completed the first phase of this evaluation that selected outcome indicators and established baseline data for the remaining phases of the evaluation. The next phase of the evaluation is to focus on the results achieved through use of Lean methodology.

Because the emergency department waits and patient-flow initiative was at the planning stage, HQC was not in a position to monitor progress in achieving intended results and overall purpose for this initiative.

#### **4.4.3 Improved Reporting on Progress Needed**

*We expected HQC would routinely report on progress achieved through use of Lean (e.g., in terms of creating a culture of continuous improvement and in improving the delivery of health services). We expected it would make these reports to its senior management, to the Ministry of Health, to health agencies within the sector, and to the public.*

HQC primarily used monthly reports to report on health agencies’ use of Lean. HQC provided these reports to the Minister of Health and to senior management and boards of health agencies. To prepare these reports, HQC compiled information submitted to it from health agencies. As indicated in **Section 4.4.2**, HQC does not make sure that it collects complete information from health agencies about the results of their audits of past Lean events.

We found that the information in these monthly reports focused on various Lean activities. They outlined the nature and number of recently completed Lean events, the planned changes and projected gains from these events, and the status of training health-sector employees in Lean methodology.

These reports did not consistently indicate whether health agencies had maintained the results anticipated from the planned changes of past Lean events, or achieved the gains they have projected from Lean events. This information would help HQC determine whether using Lean is making health care better.

During our audit period, HQC did not undertake any other activities to obtain information on whether the use of Lean was achieving its other intended purpose (i.e., creating a culture that will continuously seek to improve service delivery).

Without information on whether changes from Lean events resulted in sustained improvements or other information about culture within the health sector, it is not possible to have a complete picture of whether the use of Lean is making a positive difference in the delivery of health services or creating a culture of continuous improvement.

**4. We recommend that Health Quality Council give written reports to the Ministry of Health and health sector agencies on the results Lean events have achieved, and the sustainability of those results.**

Also, HQC does not report to the public on whether the health sector's use of Lean is achieving its intended results. While HQC publishes numerous documents, these documents only contain information on Lean and Lean-related activities and events in the health sector (e.g., an HQC Lean blog). They do not provide a complete picture on what the health sector has accomplished through using Lean.

Unless HQC actively monitors and reports on actual results (that is, outcomes) achieved using Lean, there is increased risk that adjustments in the deployment of Lean will not be made. Also, there is increased risk that lack of progress will not be identified in a timely way, there will be inefficient use of resources, and support for Lean will not be sustained.

**5. We recommend that Health Quality Council report to the public on outcomes achieved through the use of Lean across the health sector.**

As noted above, HQC has commissioned, through a competitive process, a multi-year evaluation of Lean. HQC commissioned the evaluation to consider results achieved through use of Lean, including outcomes achieved.





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## Chapter 35

### Heartland Regional Health Authority—Medication Management in Long-Term Care Facilities

#### 1.0 MAIN POINTS

*The Regional Health Services Act* makes each Regional Health Authority (RHA) responsible for providing health care, which includes planning for safe and effective medication management to individuals residing in long-term care facilities. Medications play a vital role in the ongoing health and quality of life of residents of long-term care facilities. The right medication can improve residents' quality of life and health, while inappropriate medication can have a negative impact.

This chapter reports that Heartland Regional Health Authority (Heartland) did not have effective processes to manage medication plans for residents in its long-term care facilities.

Heartland needs to:

- 1 Establish and implement comprehensive policies for medication plans, including enhanced planning for residents with complex medication needs
- 2 Develop a regional approach for identifying trends and needs, and clearly communicate the approach
- 3 Improve its documentation of the medication plans, and changes made to the plans
- 4 Strengthen its processes for planning appropriate and effective medication use for residents
- 5 Identify, track, and analyze information about the use of medication, medication errors, and complaints in its long-term care facilities

We encourage other regional health authorities to use the information in this chapter to assess their own processes for managing medication plans for residents in long-term care facilities.

#### 2.0 INTRODUCTION

This chapter reports the results of our audit of the effectiveness of Heartland's processes to manage medication plans for residents in its long-term care facilities.

In Saskatchewan, RHAs are responsible under *The Regional Health Services Act* for the planning, organization, delivery, and evaluation of health services within their respective health regions.<sup>1</sup> Their responsibilities include providing health care to individuals residing in long-term care facilities. All healthcare facilities including long-term care facilities must comply with *The Health Care Directives and Substitute Health Care Decision Makers Act*

<sup>1</sup> [www.qp.gov.sk.ca/documents/english/Statutes/Statutes/r8-2.pdf](http://www.qp.gov.sk.ca/documents/english/Statutes/Statutes/r8-2.pdf) (12 May 2014).



(Decision Makers Act). The Decision Makers Act sets out who can make healthcare decisions and how, for a resident who is unable to make such decisions on their own.

Long-term care facilities (also called “special-care homes” or “nursing homes”) provide a place of residence for individuals who require continuous health care when their needs can no longer be met in their own homes. These individuals require access to 24-hour care and supervision in a secure setting.

The Ministry of Health (Ministry) has established the *Program Guidelines for Special-care Homes*. These Guidelines include policies that RHAs must follow for the provision of long-term care services and guidelines for suggested practices. The Guidelines include specific policies related to planning and managing care for residents.<sup>2</sup>

Medications play a vital role in the ongoing health and quality of life for residents of long-term care facilities. Medication use amongst seniors, particularly those living in long-term care facilities, has been increasing because they often have complex health needs related to age and/or other medical conditions. At times, such complex conditions require multiple medications which create a higher risk of negative drug interactions or other adverse events. Planning for safe and effective medication management is critical for residents with complex health needs.

## 2.1 Background—Medication Management in Long-Term Care Facilities

A resident care plan records the individualized care plan for a resident. Development of the care plan includes consideration of a resident’s physical, social, and emotional needs along with cultural and spiritual preferences. Physical needs include nutritional, hygiene, pharmaceutical (medication) needs, and consideration of the risks of wandering and falling. Staff use these care plans to guide how they provide care to each resident.

Developing the medication aspect of care plans for long-term care residents involves the coordination of multiple healthcare providers. Physicians decide which medications to prescribe based on an individual resident’s needs. Pharmacists dispense medications and can provide advice on the identification and management of drug-related problems or potential problems (e.g., conflicts in medications). Registered and licensed practical nurses within facilities administer the medications, and they, along with other caregivers, monitor the resident’s day-to-day health.

A key component in resident care planning is medication reviews. This is a regular qualitative and quantitative review of the resident’s medication using a multi-disciplinary process. Such a process should involve long-term care facility staff, pharmacists, medical practitioners, and the resident or their designated decision maker.<sup>3</sup>

The Canadian Patient Safety Institute has identified emerging safety issues related to medication use in long-term care settings such as adverse medication events, inappropriate prescribing practices, and concerns when residents transfer between acute and long-term care. Challenges, such as leadership, staff turnover, staff skills and

<sup>2</sup> <http://health.gov.sk.ca/adx.aspx/adxGetMedia.aspx?DocID=843ea94d-23bd-4a0a-8531-de690caccbe6&MediaID=7182&Filename=Program+guidelines+for+SCH+online+version+apr+2013.pdf&I=English> (8 May 2014).

<sup>3</sup> [www.macoalition.org/initiatives/docs/safe\\_medication\\_practices\\_wkbk-2008.pdf](http://www.macoalition.org/initiatives/docs/safe_medication_practices_wkbk-2008.pdf) (12 June 2014).

training, and increasing complexity of resident health, impact the safety of residents. The Institute's 2008 study<sup>4</sup> identified the need to ensure that:

- › Appropriate medications are prescribed for residents
- › Effective medication reviews are in place
- › Accurate communication of instructions on medication occurs
- › Provision of the right medications to the right resident occurs

Most long-term care residents are seniors. A 2012 national study by the Canadian Institute for Health Information<sup>5</sup> identified that more than 60% of seniors (people age 65 and older) in long-term care facilities were using 10 or more different drug classes. This was more than double that of seniors not in long-term care (26.1%). However, the number of medications was not the only concern identified in the study. The extent of use of psychotropic<sup>6</sup> drugs was much higher in long-term care facilities. For example, compared to seniors living at home, benzodiazepine usage was twice as much amongst residents of long-term care homes, antidepressant usage was three times as much, and anti-psychotics usage was nine times as much. Most psychotropic drugs are listed as potentially inappropriate medications.

Accepted best practice in geriatric care has identified many potentially inappropriate medications which could have adverse effects on older people (older than 75 years) and for which better alternative medications are available. These potentially inappropriate medications are identified on several lists: Beers List,<sup>7</sup> ISMP list,<sup>8</sup> and the START/STOPP criteria.<sup>9</sup> In its guidelines for medication management for seniors, the Ministry recognizes these lists as appropriate standards of care. The Ministry also recognizes that seniors on 13 or more medications are also at greater risk of adverse drug reactions.

Also, the prevalence of dementia has increased over time as the population ages. In some cases, medication is required. Many of these medications (i.e., anti-psychotics) are sedatives. The rate of psychotropic drug use in long-term care facilities is a concern because it is generally known that all anti-psychotic drugs are related to increased morbidity and mortality (i.e., increases the risk of stroke and transient ischemic attacks [mini-strokes]) and/or confusion in individuals with dementia.<sup>10</sup>

Medication use in long-term care facilities impacts residents' overall health and quality of life. The right medication can improve their quality of life and health, while inappropriate medication can have a negative impact. Medication is an important part of health care. It is critical that residents are safe, but also that costs are managed. Seniors account for only 15% of the Canadian population, but are estimated to account for 40% of all spending on prescribed drugs and 60% of public drug program spending.<sup>11</sup>

<sup>4</sup> [www.patientsafetyinstitute.ca/English/research/commissionedResearch/SafetyinLongTermCareSettings/Documents/Reports/LTC%20paper%20-%20Safety%20in%20LTC%20Settings%20-%202008.pdf](http://www.patientsafetyinstitute.ca/English/research/commissionedResearch/SafetyinLongTermCareSettings/Documents/Reports/LTC%20paper%20-%20Safety%20in%20LTC%20Settings%20-%202008.pdf) (10 May 2014).

<sup>5</sup> [https://secure.cihi.ca/free\\_products/Drug\\_Use\\_in\\_Seniors\\_on\\_Public\\_Drug\\_Programs\\_2012\\_EN\\_web.pdf](https://secure.cihi.ca/free_products/Drug_Use_in_Seniors_on_Public_Drug_Programs_2012_EN_web.pdf) (10 May 2014).

<sup>6</sup> Psychotropic drugs refers to psychiatric medicines that alter the chemical levels in the brain that impact mood and behaviour. For example, benzodiazepine is a common anti-anxiety medication.

<sup>7</sup> AGS Beers Criteria for Potentially Inappropriate Medication Use in Older Adults 2012.

<sup>8</sup> ISMP (Institute for Safe Medical Practices) List of High-Alert Medications in Community/Ambulatory Healthcare and ISMP Drug-Drug Interactions in the Geriatric Population.

<sup>9</sup> START/STOPP Medications in the Elderly-Pharmacist's Letter 2011.

<sup>10</sup> [www.bccare.ca/wp-content/uploads/2014/05/Anti-Psychotics-Guide-hr-08-05-13.pdf](http://www.bccare.ca/wp-content/uploads/2014/05/Anti-Psychotics-Guide-hr-08-05-13.pdf) (14 May 2014).

<sup>11</sup> [www.patientsafetyinstitute.ca/English/research/commissionedResearch/SafetyinLongTermCareSettings/Documents/Report/LTC%20paper%20-%20Safety%20in%20LTC%20Settings%20-%202008.pdf](http://www.patientsafetyinstitute.ca/English/research/commissionedResearch/SafetyinLongTermCareSettings/Documents/Report/LTC%20paper%20-%20Safety%20in%20LTC%20Settings%20-%202008.pdf) (10 May 2014).



## 2.2 Background—Heartland Regional Health Authority

Heartland has 483 long-term care beds in 14 facilities located across the region (see **Figure 1**). It is not readily determinable how much Heartland spends annually to deliver long-term care services (e.g., accommodation, nursing, administrative services) as it does not separate expenses for inpatient and resident services. The Ministry may reimburse doctors directly through its fee-for-service program or Heartland may contract a physician's services. Residents and/or the Ministry pay pharmacists for prescriptions depending on the resident's eligibility for a subsidy.

**Figure 1—Heartland Long-Term Care Facilities**

Facility	Long-Term Care Beds
Kindersley and District Health Centre	77
Davidson and District Health Centre	30
Kerrobert Health Centre	30
Outlook and District Health Centre	42
Unity and District Health Centre	32
Dinsmore Health Centre	18
Elrose Health Centre	30
Eston Health Centre	31
Kyle Health Centre	17
Lucky Lake Health Centre	17
Wilke Health Centre	29
Biggar Diamond Lodge	54
Rosetown and District Health Centre/Rosetown Rose Villa	54
Macklin St. Joseph's Health Centre (affiliate)	22
<b>Total</b>	<b>483</b>

Source: Heartland Health Region management.

Heartland includes towns and communities that also serve the surrounding rural areas. Heartland recognizes that low population densities may create challenges in relation to access to healthcare services.<sup>12</sup> For example, the availability of medical professionals to take part in a multi-disciplinary review process in the dispersed communities within its region may create challenges related to developing and maintaining medication plans for long-term care residents.

Ineffective processes for developing and maintaining medication plans for long-term care residents could result in health and safety concerns including potential adverse events such as drug complications, over-medication, and fatalities.

<sup>12</sup> [www.hrha.sk.ca/documents/2012-13AnnualReportfinalJuly2\\_000.pdf](http://www.hrha.sk.ca/documents/2012-13AnnualReportfinalJuly2_000.pdf) (12 May 2014).

### 3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess if Heartland Regional Health Authority (Heartland) had effective processes to manage medication plans for residents in its long-term care facilities for the period of September 1, 2013 to August 31, 2014.

The audit did not question or assess medical decisions and did not include the examination of medication plan processes at Heartland's acute care facilities or for its home-care clients.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Heartland's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. Heartland's management agreed with the criteria (see **Figure 2**).

We examined Heartland's policies, procedures, reports, and other relevant documents that relate to managing medication plans for long-term care residents. We also visited various long-term care facilities, interviewed numerous long-term care staff, and tested a sample of resident medication plans.

**Figure 2—Audit Criteria**

Effective processes to manage medication plans for long-term care residents include processes to:

- 1. Establish direction to manage medication planning for residents**
  - 1.1 Align regional policies for resident medication planning with provincial guidelines
  - 1.2 Identify trends, needs and issues on long-term care medication use
  - 1.3 Develop a regional approach for use of medication (e.g., strategy, policy, and targets)
  - 1.4 Communicate approach (e.g., to new and existing residents, family, and healthcare professionals)
  - 1.5 Provide educational program for staff to develop and deliver medication plans
- 2. Develop medication plan as part of the overall care plan for each resident (resident care plan)**
  - 2.1 Involve appropriate parties in plan (e.g., resident, family, and multi-disciplinary team)
  - 2.2 Use a standardized process for planning
  - 2.3 Create and document individual medication plans in a timely manner
  - 2.4 Enhance planning process for residents with complex medication needs (e.g., involve multi-disciplinary team when residents have a high risk of adverse reactions, are on psychotropic medications, and/or a high number of medications)
  - 2.5 Obtain appropriate approvals and consent for individual medication plans
- 3. Deliver resident medication plans as part of the overall resident care plans**
  - 3.1 Administer approved medication based on medication orders and standard procedures
  - 3.2 Document medication-related activities in each resident's medication plan (e.g., what, when, and by whom medications were administered)
  - 3.3 Monitor residents, with enhanced monitoring practices for residents assessed with a high risk for medication complications
  - 3.4 Review and adjust medication periodically in accordance with assessed level of risk and changes in condition
  - 3.5 Obtain informed consent from residents or their designated decision-makers on changes to the medication plan
  - 3.6 Coordinate with other health service providers on resident's medication plans (e.g., with acute care, home care, and other health services upon admission, transfer or discharge)
- 4. Assess regional approach for use of medication for residents**
  - 4.1 Track prevalence of use of medications, medication errors, and complaints
  - 4.2 Report medication errors and complaints to appropriate parties
  - 4.3 Collect and analyze information to improve medication plans for residents
  - 4.4 Collect and analyze information to improve regional strategies and policies



We concluded that Heartland Regional Health Authority did not have effective processes to manage medication plans for residents in its long-term care facilities for the period of September 1, 2013 to August 31, 2014.

We found Heartland needs to establish and implement comprehensive policies for medication plans, including enhanced planning for residents with complex medication needs. It needs to develop a regional approach for identifying trends and needs, and clearly communicate the approach. Heartland also needs to improve its documentation of the medication plans, and changes made to the plans. In addition, to strengthen its processes for planning appropriate and effective medication use for residents, Heartland needs to identify, track, and analyze information about the use of medication, medication errors, and complaints in its long-term care facilities.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 2**.

### 4.1 More Direction for Medication Planning Needed

#### 4.1.1 Policies Need Alignment and Updating

*We expected Heartland to align its policies for medication management in its long-term care facilities with the guidelines established by the Ministry of Health. Documented policies and procedures help agencies meet their objectives and provide appropriate, consistent guidance to staff to carry out their tasks.*

The Ministry has established Program Guidelines for medication management in long-term care facilities. These guidelines include expectations and requirements for the management of medication.

We found that Heartland had some medication management policies that aligned with the Ministry's guidelines. For example, it has a policy which describes the Beers List for potentially inappropriate medications in older adults. The policy states that "avoiding the use of inappropriate and high-risk drugs is an important, simple, and effective strategy in reducing medication-related problems and adverse drug events in older adults." It also acknowledges that the policy does not "supersede clinical judgment or an individual resident's values and needs. Prescribing medication and managing disease conditions should be individualized and involve shared decision-making" as required under the Decision Makers Act. The policy does not address the ISMP list or STOPP/START criteria (also endorsed by the Ministry). Also, as we note in **Section 4.1.2**, the residents' files that we tested showed that all residents received one or more potentially inappropriate medications and 66.7% of the files indicated that the residents received three or more potentially inappropriate medications.

Heartland's policies were not comprehensive. For example, it did not have policies requiring complete medication plans and what should be included in those plans, multi-

disciplinary reviews of medication, nor staff training requirements on medication administration and monitoring.

Heartland did not consistently review and update its policies. The Ministry revised its guidelines in 2013 and Heartland's accreditation report, received in July 2013, recommended some improvements to medication management in its long-term care facilities. However, we found that Heartland had not reviewed or updated most of its policies since 2011.

The lack of policies or out-of-date policies increases the risk of discomfort and harm to residents of long-term care facilities.

- 1. We recommend that Heartland Regional Health Authority have comprehensive policies for medication management that are aligned with the Ministry of Health's guidelines for its long-term care facilities.**

#### 4.1.2 Need to Identify Trends, Needs, and Issues

*We expected Heartland to have a process to identify trends, needs, and issues on long-term care medication use.*

Heartland does not have a process to identify trends, needs, or issues related to medication use in its long-term care facilities. It reports information on various resident indicators (e.g., health condition, cognitive problems, disease diagnosis) quarterly to the Ministry. Heartland does not verify the accuracy or completeness of the reported information. We noted that Heartland did not accurately or completely record use of anti-psychotics in its tracking system for 28% of the files we tested.

The Ministry uses this information to report on six quality indicators, one of which is relevant to medication use – the use of anti-psychotics without a diagnosis of a psychosis. The Ministry sends an analysis back to Heartland which identifies how such use in each facility compares with the regional, provincial, and national averages.

Heartland did not collect any other information regularly to help identify medication-related trends, needs or issues in the region. For example, management could not tell us how many residents in long-term care received potentially inappropriate medications, how many non-critical medication errors occurred, or the frequency of its medication reviews.

Our examination of residents' files showed that:

- All residents in our sample received one or more potentially inappropriate medications, with two-thirds receiving three or more potentially inappropriate medications
- 58% of the residents in our sample received 13 or more daily medications
- All residents in our sample diagnosed with dementia received one or more anti-psychotic drugs, which were sedative in nature





27% of the residents in our sample received concurrent duplicate medications

These findings are indicative of a lower than acceptable standard of care for the seniors in Heartland's long-term care facilities.

Heartland needs to regularly collect and analyze trends, needs, and issues related to medication usage in its long-term care facilities. Without such information, Heartland risks not being able to work effectively with healthcare providers to ensure medication regimes used in its long-term care facilities for its residents are appropriate.

2. **We recommend that Heartland Regional Health Authority establish a process to identify trends, needs, and issues related to medication management in its long-term care facilities.**

#### **4.1.3 Need to Develop a Regional Approach for Use of Medication (e.g., Strategy, Policy, and Targets)**

*We expected Heartland to have a regional approach for the use of medication in its long-term care facilities.*

Heartland has a philosophy for resident and family-centred care to focus on the value of the individual and preserve quality of life. However, Heartland did not have a strategy for medication use in long-term care facilities. Without a clear strategy, employees may not know what Heartland expects to achieve and how.

Also, as we note in **Section 4.1.2**, Heartland does not have comprehensive and current policies for medication management. It has not established any targets related to medication use. For example, it could set targets for reducing the use of anti-psychotics for residents with dementia, reducing the number of potentially inappropriate medications administered, or reducing the number of medication errors.

However, without an approved regional approach for use of medication in long-term care, it is difficult for management to set goals and targets for appropriate use.

3. **We recommend that Heartland Regional Health Authority develop a regional approach for the use of medication in its long-term care facilities.**

#### **4.1.4 Need to Communicate Approach**

*We expected Heartland to communicate its approach to medication management to residents and their families, and to healthcare professionals (both staff and healthcare providers, e.g., doctors and pharmacists).*

Heartland has a *Client – Family Information Handbook*. The Handbook includes some information about medication (i.e., pharmacy used by the facility, storage of medication,

payment for medication) as well as some information about the use of chemical restraints and its “least-restraint” policy. However, the Handbook does not describe how or to whom complaints may be made (see **Section 4.4.1** for further detail).

Heartland’s least-restraint policy recognizes that sometimes residents need some form of restraint to protect themselves, other residents, or staff from injury due to falls, aggressive behaviour, or wandering. Restraints may be environmental (e.g., locked doors), physical (e.g., belts or straps) or chemical (e.g., anti-psychotic medication). Heartland is required to report to the Ministry the use of physical restraints. However, the Ministry does not require the reporting of chemical restraints.

The least-restraint policy requires staff to exhaust all alternatives and interventions before using restraints, and that restraints be used for the shortest time possible. Chemical restraints are defined by the policy as drugs which:

*Intentionally inhibit a particular behaviour or movement (College of Nurses of Ontario, 2009). It would also apply when a medication is used to control a person’s behaviour when there isn’t a diagnosis that is an approved indication for use of the medication or when the dose prescribed is over the recommended dosage.*

Under the established policy, staff must conduct a behaviour assessment to determine the appropriateness of a contemplated chemical restraint. In our testing of residents’ files that required behaviour assessments, we found that only 24% had evidence that such an assessment took place. Also, the least-restraint policy requires informed, written consent for the use of restraints by either the client or designated decision maker.<sup>13</sup> For the files we tested, there was no evidence that written consent had been obtained prior to implementing chemical restraints. This deviation from the policy could be due to a lack of communication around Heartland’s least-restraint policy, lack of staff training, or lack of necessary supervision.

As a condition of their hospital privileges, physicians agree to abide by Heartland’s bylaws, rules, regulations, policies, and procedures. While Heartland has a policy to avoid or limit the use of medications on the “Beers List”, given the findings reported in **Section 4.1.1**, it seems unlikely that Heartland is working with service providers (e.g., physicians, nurses) to encourage compliance with its policies.

- 4. We recommend that Heartland Regional Health Authority clearly communicate its approach for medication use to long-term care residents and their families, staff, and healthcare providers.**

#### 4.1.5 Training Needed

*We expected Heartland to provide an educational program for staff to develop and deliver medication plans.*

<sup>13</sup> A Designated Decision Maker is a proxy, nearest relative/or personal guardian as defined in the provisions of *The Health Care Directives and Substitute Health Care Decision Makers Act*.



Management indicated that staff receive some medication-related training when hired to work in Heartland's long-term care facilities. Also, Heartland has delivered training for alternative treatments for residents with dementia to staff in about half of the long-term care facilities in the region and expects to train the remainder this year. Also, as part of their professional practice, nurses are expected to maintain ongoing professional development. However, the nurses we interviewed stated that any education on medication was done on their own time. The clinical educators employed by Heartland stated they did not specifically address medications or potential adverse reactions as part of the region's educational plan.

Because of the complexity of medication management, providing appropriate training on medication management could help staff identify residents who may be at high risk of adverse medication interactions. This would also help determine the monitoring that the resident should receive.

5. **We recommend that Heartland Regional Health Authority implement an educational program for staff who develop and deliver medication plans in its long-term care facilities.**

## **4.2 Better Development of Medication Plans Needed**

### **4.2.1 Appropriate Parties Should be Involved**

*We expected Heartland to involve appropriate parties in medication plans (e.g. resident, family, and multi-disciplinary team).*

Heartland has a consistent process for developing medication plans. When a resident is admitted into a long-term care facility, a medication reconciliation is prepared. This involves obtaining, from the provincial pharmacy system, a list of the resident's medications and discussing it with the resident or designated decision maker to ensure the list is current. The physician and/or nurse reconciles the list for any discrepancies and ensures the discrepancies are resolved to confirm the list is appropriate. The reconciled list then becomes the medication plan and is approved by the physician.

Some facilities use a computer system, while others have manual documentation. We noted from our testing of newly-admitted residents' files, there was evidence that physicians and nurses acknowledged the appropriateness of the medication plans. However, we found no evidence that a pharmacist had also reviewed the plans.

The Ministry's guidelines recommend that "a process be established to ensure availability of a pharmacist(s) to support the drug management program." Management indicated that staff sent the prepared medication plans to the facility's pharmacist but did not require the pharmacist to formally agree to the plan. Management also indicated that most pharmacists simply use the medication plan as their authority to dispense the drugs.

Because of the complexity of medication administration and the number of residents that are on potentially inappropriate medications, anti-psychotics and/or more than 13

medications, involving a pharmacist in preparing medication plans for residents would be a useful addition to help determine the appropriateness of the plans.

- 6. We recommend that Heartland Regional Health Authority use a multi-disciplinary approach (e.g., physicians, nurses, pharmacists) for finalizing medication plans for long-term care residents.**

#### 4.2.2 Need to Use a Standardized Process for Planning

*We expected Heartland to use a standardized process for planning for medication use.*

As described previously, various facilities in the region have similar processes for medication planning. However, none of the documentation of the medication plans we examined for residents admitted during the audit period had all of the critical information we considered necessary.

For example, while the medication, dosage and frequency were documented in some form, the method for dispensing (e.g., crush, mix with food) was not always documented. Some medications, to improve their efficacy (e.g., osteoporosis, thyroid), should not be taken with food, other medications, or multivitamins; other medications should be taken with food to reduce possible adverse side effects. We did not find evidence of this information documented in the plans.

Heartland has no requirement to document high-risk medication regimes (as defined by the Ministry's guidelines and best practice), nor to flag residents at greater risk of adverse drug events. We noted from our testing that only two files indicated that medications were on the Beers List. If this type of information is not recorded in the plan, nursing staff may not always know critical information.

Without a standardized process to document medication plans including risks and dispensing methods, Heartland cannot ensure that planning is done consistently and appropriately throughout the region.

- 7. We recommend that Heartland Regional Health Authority establish standardized documentation requirements for medication plans of its long-term care residents.**

#### 4.2.3 Need to Create and Document Medication Plans in a Timely Manner

*We expected Heartland to create and document individual medication plans in a timely manner.*

The Ministry's guidelines suggest that care plans be developed within 14 days of admission. While Heartland's policies do not address the time frame for developing care plans, it does have a policy that the medication reconciliation be completed within 24





hours of admission. As described in **Section 4.2.1**, the medication reconciliation is designed to generate an accurate list of medications at the time of admission or discharge.

We noted that 28% of the care plans we examined for residents admitted during the audit period had either not been created within 14 days of admission, or were incomplete. We also noted that 93% of medication reconciliations were done on admission.

As noted in **Section 4.1.1**, Heartland does not have a policy requiring complete medication plans and what must be included in those plans.

#### **4.2.4 Need an Enhanced Planning Process for Residents with Complex Medication Needs**

*We expected Heartland to have an enhanced planning process for residents with complex medication needs (e.g., involve a multi-disciplinary team when residents have a high risk of adverse reactions, are on psychotropic medications and/or a high number of medications).*

As described in **Section 4.2.2**, Heartland does not routinely document high-risk medication regimes, nor flag residents at high risk of adverse drug reactions. Only two of the plans that we tested indicated that medications were on the Beers List. The plans did not include any discussion of potential alternatives to prescribed medications (either behavioural interventions or substituting other less-potentially harmful drugs), alerts for possible adverse effects of the medications, or any enhanced monitoring.

Also, Heartland has many assessment tools that it should use in the planning process for both overall care and, more specifically, medication needs. For example, pain assessments and behaviour assessments can result in confirmation of a medication plan or a change in a medication plan. We found that for the resident files that we tested, only about half had documented pain assessments, and only 15% of those residents who required a behaviour assessment actually had one completed.

Frequently, residents with dementia have inappropriate or negative behaviours including aggression towards other residents and/or staff, and the risk of wandering. However, according to best practices, many non-medication interventions should be tried before chemical restraints are prescribed.

While we noted from our testing that most residents had complex medication needs, there was no evidence of enhanced planning for those complex needs. Behaviour assessments would indicate which interventions to attempt, what success was achieved, and next steps before chemical restraints are used.

- 8. We recommend that Heartland Regional Health Authority develop a policy for enhanced planning for long-term care residents with complex medication needs, including the use of appropriate assessment tools.**

### 4.2.5 Appropriate Approvals and Informed Consent for Medication Plans Needed

*We expected Heartland to obtain appropriate approvals and consent for individual medication plans.*

Heartland's policies require approval by a physician for any medications administered. Physicians are required to sign the medication reconciliations on admission, and must also sign any changes to or discontinuation of medications.

While we acknowledge that physicians have the primary responsibility for medication decisions, Heartland has a role too. It must know whether the resident or designated decision maker is kept informed of any high-alert medications in the plan, and of potential alternatives available. Residents or their designated decision makers need this information so they can make informed choices regarding treatment in consultation with the physician.

9. We recommend that Heartland Regional Health Authority require that all appropriate approvals and informed consent for residents' medication plans are received from the long-term care residents or designated decision makers.

## 4.3 Better Delivery of Medications Needed

### 4.3.1 Administering Medications Needs Improvement

*We expected Heartland to administer approved medication based on medication orders and standard procedures.*

Heartland's processes that staff are expected to follow for administering medication were reasonable. We examined a sample of files for residents receiving services during our audit period and found that medication plans existed and were approved by a physician. Physicians' orders consistently showed evidence of nurses' review. Management stated that only nursing staff administer medication (except in limited circumstances, a care aide may receive a formal delegation to administer certain drugs). However, as noted in **Section 4.4.1**, a number of medication errors were reported, and staff indicated that more medication errors occurred but were not reported.

Errors in administering medications increase the risk of adverse health outcomes for residents. Not reporting all medication errors reduces the ability of Heartland to systematically examine why such errors occur and improve processes to reduce medication errors.

We recommend in **Section 4.4.1** that Heartland track all medication errors and analyze causes of errors to improve its processes in the future.

### 4.3.2 Better Documentation Required

*We expected Heartland to document medication-related activities in each resident's medication plan (e.g., what, when and by whom medications were administered).*

Heartland's Nursing Information Systems Saskatchewan (NISS) Charting System policy requires that health records be maintained:

- 1 Clinically, to collect, maintain and communicate health information in the care and treatment of clients
- 2 Legally, to demonstrate that care providers have met accepted standards in the provision of reasonable treatment of clients

Heartland uses a Medication Administration Record (MAR) as its health record for medication administration to individual residents in long-term care facilities. MAR lists the medications to be given and the frequency (e.g., three times daily). The chart provides space for a nurse to sign for each and every drug administered and time administered. If a drug is not administered for a specific reason, it must also be noted on the chart.

We found that only one-third of the monthly MAR's that we examined were complete and signed by the relevant nurses. In most cases, some days in the month did not have any nurses' sign offs. There was no explanation detailing why the daily medication for those days was either not administered or not signed off as administered.

Also, nursing staff indicated that they found the electronic MAR used in two facilities to be inefficient (other facilities used paper MARs). However, regardless of whether the MAR was electronic or paper, we found all facilities had poor charting records. Without complete and accurate records, the risk of medication errors that could potentially harm the long-term care resident is increased.

**10. We recommend that Heartland Regional Health Authority follow its policy for documenting, in the long-term care residents' medical records, all the medication-related activities.**

### 4.3.3 Better Monitoring Needed

*We expected Heartland to monitor all residents and to have enhanced monitoring practices for residents assessed with a high risk for medication complications. NISS recognizes that "nursing notes" are an appropriate way to both document care for and condition of residents and to communicate with other staff.*

We examined nursing notes and found some evidence of monitoring for medication reactions. For example, some files that we examined indicated that residents were monitored for a couple of weeks to ensure they were stable after a medication change.

However, there was no evidence in any of the files that we examined that enhanced monitoring was done for any of the residents. Nor was there any identification if the resident was at high-risk of medication complications.

In **Section 4.2.4**, we recommend that Heartland develop a policy for enhanced planning for residents with complex medication needs, including the use of appropriate assessment tools. With such a policy, Heartland could enhance its monitoring practices for residents with high risk medication regimes.

#### 4.3.4 Review and Adjustment of Medication Plans Need Improvement

*We expected Heartland to require regular review of medication plans and adjust medication periodically in accordance with assessed level of risk and changes in condition.*

The Ministry's guidelines require "a multi-disciplinary review process be conducted quarterly or when the resident's circumstances indicate a need for review." The guidelines contain the suggested process for such reviews including what should be reviewed, when it should occur, who should be involved, and how such reviews should be conducted. The purpose of the reviews is to ensure:

*Medication prescribed is appropriate for the resident's needs/diagnosis, effective, and any required monitoring is being carried out. The reviews should also consider drug interactions, side effects, compliance, concordance, duplication, non-prescription medications, herbal/ complementary medicines and any unmet medical needs for medications.*

As noted in **Section 4.1.1**, Heartland does not have a corresponding policy for quarterly reviews of medication plans. Even though there is no regional policy requiring such reviews, we noted that Heartland did some medication reviews. However, 61% of residents' files that we examined did not have evidence of any such quarterly reviews. We noted that two long-term care facilities in the region did regular quarterly reviews.

Also, for most files that we tested, there was no evidence residents and/or their family or a pharmacist was involved in the review. Of the files we examined, there was no indication of pharmacist involvement in 90% of the files, or involvement and consent of the resident or designated decision maker to medication changes in 73% of the files.

Without regular review done by a multi-disciplinary team, Heartland cannot ensure that the medication plans continue to be appropriate and effective.

In **Section 4.1.1**, we recommend that Heartland align its medication management policies with the Ministry's guidelines. Such a policy would include a requirement for medication reviews.

Changes to required medications can occur as a result of changes in a resident's condition, such as increased pain or negative behaviours. Heartland has policies and procedures to assess both pain and behaviour. Its policies require that such assessments be done at least quarterly or when a change in a resident's condition requires.





For example, the pain management policy requires that “if scheduled pain medication does not relieve pain, a record must be kept to ensure that those with identified pain are monitored and that pain is brought under control.” The least-restraints policy requires behaviour mapping to start immediately if a chemical restraint is being considered. Ideally, behaviour mapping would occur for at least seven days before a change in medication is considered. The policy requires that the NISS Behaviour Mapping form be used for this purpose and become part of the resident’s chart. It also requires that other options to change behaviour be exhausted before utilizing chemical restraints.

71% of the resident files that we examined did not have evidence of quarterly pain assessments. We did note that two facilities did all pain assessments as required. 85% of the resident files that required behaviour assessments did not have evidence of behaviour assessments. Of those where a behaviour assessment took place, 50% did not indicate that other options were explored.

By not completing all the required assessments, long-term care residents may be at risk of receiving inappropriate medications that could impact the quality of life for the resident.

**11. We recommend that Heartland Regional Health Authority follow its established policies and procedures for medication changes for its long-term care residents.**

#### 4.3.5 Informed Consent Needed

*We expected Heartland to obtain informed consent from residents or their authorized decision makers on changes to the medication plan.*

Heartland has no specific policy regarding consent for changes in treatment. When a resident is admitted to a long-term care facility, the resident or designated decision maker is required to consent to treatment. Other than its least-restraint policy, Heartland does not have any policy requiring consent for changes in treatment, including changes in medication.

In some of Heartland’s long-term care facilities, staff indicated they discussed changes in medication with residents and families, but they could not provide us any evidence of formal consent. Residents or their designated decision makers should be made aware of changes in medication, especially if newly-prescribed medications are potentially inappropriate, or if the medication regime is complex.

**12. We recommend that Heartland Regional Health Authority implement a policy requiring informed written consent from long-term care residents or their designated decision makers for changes in high-risk medication.**

Heartland’s least-restraint policy requires that a resident or designated decision maker give informed, written consent prior to any form of restraint application, including the

use of chemical restraint. Nurses are responsible for ensuring that clients and/or the designated decision maker have received information on the implications and possible risks of using restraints.

For the resident files that we examined, only 27% included notes that the resident or designated decision maker was consulted and informed of medication changes. Also, only one file we examined had evidence (i.e., a signed consent form) indicating that the residents' designated decision maker agreed to the prescribed chemical restraint.

Informed, written consent is important as unnecessary restraints affect the dignity of the long-term care residents, as well as their quality of life.

**13. We recommend that Heartland Regional Health Authority follow its policy to obtain informed written consent from long-term care residents or their designated decision makers before using medication as a restraint.**

#### 4.3.6 Information Provided on Transfer Needs Improvement

*We expected Heartland to coordinate with other health service providers on resident medication plans (e.g., with acute care, home care, and other health services upon admission, transfer, or discharge).*

Heartland's long-term care facilities admit residents directly from their homes, on discharge from an acute facility, or on transfer from another long-term care facility. When admitted from acute care or other long-term care facilities, transfer forms are used to relay pertinent information. However, 23% of the files that we examined for transfers of residents from acute care or other long-term care facilities did not have transfer forms. For residents sampled who were admitted directly from their homes, there was no evidence in their files that Heartland's Home Care Services had been contacted or information shared.

Our sample did not include any residents who were transferred to acute care or discharged home.

Information sharing can reduce duplication of work, and can help ensure accurate and complete information about a resident is known in order to provide appropriate services.

**14. We recommend that Heartland Regional Health Authority consistently collect and document transfer information for residents transferred to its long-term care facilities.**



## 4.4 Assessment of Regional Approach for Medication Use Needed

### 4.4.1 Need to Track and Report Information

*We expected Heartland to track information on the prevalence of use of medications, medication errors, and complaints. We expected Heartland to report medication errors and complaints to appropriate parties.*

#### Prevalence of Use of Medications

As described in **Section 4.1.2**, Heartland is required to report, each quarter, information on various resident indicators to the Ministry. The reported information includes which types of medications (e.g., anti-depressant, anti-anxiety, analgesic, etc.) each resident is taking. Other than the anti-psychotic medications the Ministry tracks, Heartland does not track any other information on the prevalence of the use of medications.

Tracking other prevalence-related statistics would help Heartland identify trends, needs, and issues in medication use in the region and allow it to work with healthcare providers to ensure medications are appropriate.

#### Prevalence of Medication Errors

Heartland has a policy and process for tracking incidents, including specific procedures for incidents involving medication errors. It requires staff to complete incident reports and forward them to Care Team Managers and Heartland's Quality Improvement and Safety Department (Quality Department). Heartland uses the incident reports and subsequent incident investigation reports to improve processes, increase training, and reduce future errors.

Staff indicated that certain facilities always complete incident reports; others seldom do. When asked, some facilities could not provide copies of any incident reports related to medication errors during the audit period. However, when we interviewed staff, they mentioned many examples of medication errors they had observed, such as medication administered to the wrong person, at the wrong time, and/or in the wrong dose, by the wrong route.

While we noted that staff recorded some medication errors on incident reports, the incident reports did not indicate who was informed about these errors and how. For example, one incident report indicated that the resident's physician was notified of the medication error, but did not indicate if the resident's family was also informed. Some incident reports indicated what actions were proposed to avoid such errors in the future, but not all. Heartland does not have a process to ensure it communicates medication errors to the resident or designated decision maker and the physician, nor does it identify actions to reduce future errors.

**15. We recommend that Heartland Regional Health Authority track for analysis and reporting, all information on the prevalence of medication use and medication errors in its long-term care facilities.**

### **Prevalence of Complaints in Long-Term Care**

Heartland has an established complaint process for long-term care. However, Heartland's *Client – Family Information Handbook* does not describe how or to whom complaints may be made. Minor complaints may be resolved at the service delivery level. Moderate to serious complaints are required to be reported to the Quality Department. Management indicated that complaints are usually received verbally or through the mail. These are given to the Care Team managers to address and resolve. The Quality Department can also receive complaints directly.

However, Heartland is not following its established policy. Management indicated that any complaint, including moderate to serious, may be resolved at the service delivery level and therefore not reported to the Quality Department. During the audit period, the Quality Department did not receive any complaints related to long-term care. This could be the result of Heartland not following its established policy to report moderate to serious complaints to the Quality Department.

Tracking moderate to serious complaints would help Heartland identify issues in medication management. This would allow it to make informed decisions about improved service delivery to residents and/or any staff training needs.

**16. We recommend that Heartland Regional Health Authority follow its policy to have staff report moderate to serious complaints relating to long-term care to the Quality Improvement and Safety Department.**

### **Incident Reporting**

Staff send incident reports to Heartland's Quality Department. The Quality Department tracks incidents and reports facility statistics to the care teams of each facility. Also, each quarter, it reports incident information to the facility directors and the Vice-President of Quality and Risk Management. The Board receives quarterly reports on falls and medication errors for the region as a whole. However, as noted previously, because medication errors are not always recorded on incident reports, the reports are not complete.

The Ministry requires RHAs to report all critical incidents to the Ministry.<sup>14</sup> Heartland did not report any critical incidents related to medication errors in long-term care facilities to the Ministry in the audit period.

## **4.4.2 Need to Collect and Analyze Information at the Resident Level**

*We expected Heartland to collect and analyze information to improve medication plans for residents.*

<sup>14</sup> *Saskatchewan Critical Incident Reporting Guideline, 2004*: Critical incident related to medication errors is defined as "Patient death or serious disability associated with a medication or fluid error including, but not limited to, errors involving the wrong drug, the wrong dose, the wrong patient, the wrong time, the wrong rate, the wrong preparation, or the wrong route of administration (Excludes reasonable differences in clinical judgment on drug selection and dose.)"





Heartland does not collect or analyze any information to improve medication plans for residents. For example, Heartland could collect information about:

- 1 How many residents receive regular quarterly medication reviews by multi-disciplinary teams
- 2 The number and frequency of pain assessments done
- 3 The number of behaviour assessments done prior to implementing restraints

Information such as this could help Heartland improve its processes to plan for appropriate and effective medication use for residents.

**17. We recommend that Heartland Regional Health Authority collect and analyze information to improve medication plans for long-term care residents.**

#### **4.4.3 Need to Collect and Analyze Information at the Regional Level**

*We expected Heartland to collect and analyze information to improve regional strategies and policies.*

Heartland does not collect or analyze any information on medication use in long-term care other than what is required by the Ministry. The Ministry analyzes the number of residents who are administered anti-psychotics without a diagnosis of a psychosis. Each facility that reports statistics higher than the national average must provide an action plan to reduce the use of anti-psychotics in its facility.

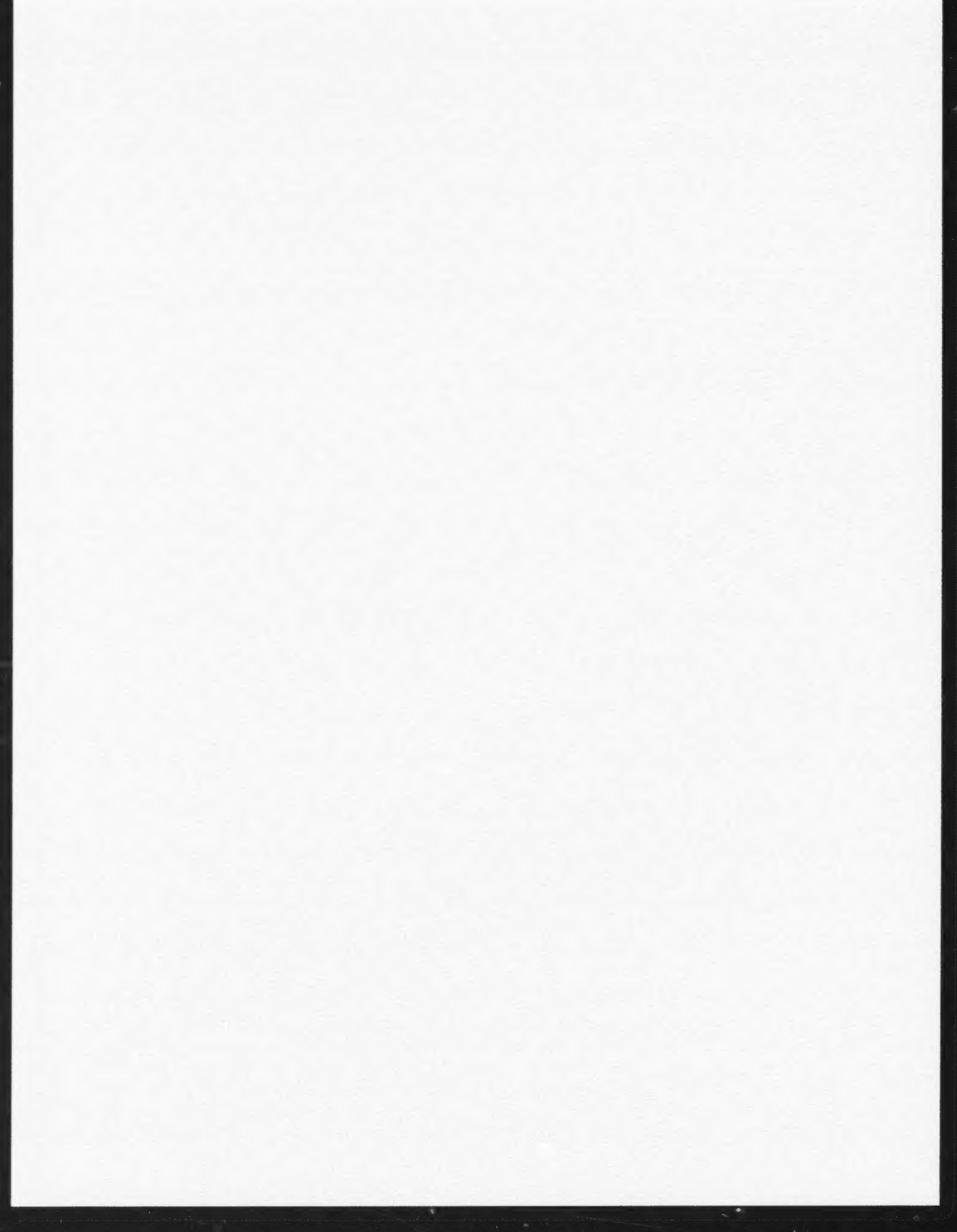
We noted that Heartland has a philosophy for client and family-centred care, but it does not define what that means in terms of medication practices in the region. For example, as described in **Section 4.1.1**, Heartland has a policy to avoid, when possible, the use of potentially inappropriate medications, specifically those on the Beers List. However, Heartland did not collect or analyze information about the prevalence of potentially inappropriate medications administered, or if alternative treatments had been considered. We found that 100% of residents we sampled received at least one potentially inappropriate medication, with two-thirds receiving three or more potentially inappropriate medications. As described in **Section 2.1**, anti-psychotics are contraindicated for people with dementia, but we found that 100% of the files of residents with dementia that we sampled received anti-psychotic medications.

We do not know if Heartland supports these practices as it has not clearly set out its expectations.

We recommend in **Section 4.1.3** that Heartland develop a regional approach for the use of medication in its long-term care facilities. With such an approach, Heartland could determine what information it must collect and analyze to ensure its objectives for medication use are achieved.

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## Chapter 36

### Prince Albert Parkland Regional Health Authority— Providing Timely and Appropriate Home-Care Services

#### 1.0 MAIN POINTS

*The Regional Health Services Act* makes each Regional Health Authority (RHA) responsible for delivering home-care services to people with healthcare needs. Home-care services can prevent or delay admission to hospitals or long-term care facilities, support people discharged from hospitals, and support people with disabilities or chronic conditions to enable them to live independently. Lack of effective processes to provide timely and appropriate home-care services could result in increased healthcare costs and increased risk of poor health outcomes for residents in the region.

This chapter reports that Prince Albert Parkland Regional Health Authority (PA Parkland) had effective processes to provide timely and appropriate home-care services other than it needs to:

- Provide more direction by having complete policies and a process to identify and monitor home-care services needs and trends
- Improve its processes to formally assess and plan individuals' home-care needs
- Ensure clients are receiving the needed services and staff are appropriately trained, assigned, and monitored
- Track and analyze information about the delivery of home-care services

We encourage other regional health authorities to use the information in this chapter to assess their own processes for providing timely and appropriate home-care services to people with healthcare needs.

#### 2.0 INTRODUCTION

In Saskatchewan, under *The Regional Health Services Act*, RHAs are responsible for the planning, organization, delivery, and evaluation of health services (including home-care services for people with health needs) within their respective health regions. Home-care services include health care and support services to help people maintain independence and well-being in the community. Home-care services can prevent or delay admission to acute or long-term care, support people leaving acute care, and support people with disabilities or chronic conditions to enable them to live independently. Home Care provides individuals with healthcare services in their own homes or community setting (in this chapter we will refer to this as "home") based on their assessed needs.

The Ministry of Health has established the *Saskatchewan Ministry of Health Home Care Policy Manual*. It includes policies and guidelines that RHAs must follow for providing home-care services.





This chapter sets out the results of our audit of PA Parkland's processes to provide timely and appropriate home-care services.

## 2.1 Background—Provision of Home-Care Services

Delivery of home-care services to meet individuals' needs in a home involves different professionals. Ideally, integrated home-care services encompass health promotion and teaching, end-of-life care, rehabilitation support and maintenance, social adaptation, and support for family caregivers.<sup>1</sup>

Home-care services are an integral component of a healthcare system because the services enable individuals with health needs to live independently in their own homes. These services help relieve pressures placed on other parts of the healthcare system such as the need for acute and long-term care.<sup>2</sup> Generally, in Canada, 73% of home-care clients have been discharged from an acute care setting.<sup>3</sup>

The 2013 National Study by the Patient Safety Institute<sup>4</sup> found that annually, home-care services had a 10.1% incidence of adverse incidents and that 56% of these incidents could have been avoided. The Patient Safety Institute identified four systemic conditions that contributed to adverse incidents:

- › Inconsistencies in the way care is planned and delivered
- › Lack of integration of home-care teams, lack of care coordination across healthcare sectors, and failures in communication
- › Poor standardization of processes, equipment, and packaging of medication
- › Decisions made by clients and caregivers that may sometimes put their health at risk

In addition to the formal teams of service providers, support of family members and other unpaid caregivers is also needed to support people with health needs to live independently. In 2009, a study by the Canadian Healthcare Association identified that 80% of care-giving is unpaid or informal.<sup>5</sup> In May 2012, the Conference Board of Canada raised concerns about sustainability of the home-care sector due to the heavy reliance on volunteers and unpaid care.<sup>6</sup>

PA Parkland provides various home-care services (see **Figure 1**) through one regional,<sup>7</sup> three rural,<sup>8</sup> and four sub offices<sup>9</sup> located across the region. The region uses approximately 194 staff to deliver services as well as volunteers. Professional services (such as nursing, assessment/case management, or therapies) are provided at no

<sup>1</sup> <http://www.cdnhomocare.ca/content.php?doc=180> (26 April 2014).

<sup>2</sup> [www.cha.ca/wpcontent/uploads/2012/11/Home\\_Care\\_in\\_Canada\\_From\\_the\\_Margins\\_to\\_the\\_Mainstream\\_web.pdf](http://www.cha.ca/wpcontent/uploads/2012/11/Home_Care_in_Canada_From_the_Margins_to_the_Mainstream_web.pdf) (26 April 2014).

<sup>3</sup> [www.patientsafetyinstitute.ca/english/research/commissionedresearch/safetyathome/documents/safety%20at%20home%20care.pdf](http://www.patientsafetyinstitute.ca/english/research/commissionedresearch/safetyathome/documents/safety%20at%20home%20care.pdf) (12 April 2014).

<sup>4</sup> Ibid.

<sup>5</sup> [www.cha.ca/wpcontent/uploads/2012/11/Home\\_Care\\_in\\_Canada\\_From\\_the\\_Margins\\_to\\_the\\_Mainstream\\_web.pdf](http://www.cha.ca/wpcontent/uploads/2012/11/Home_Care_in_Canada_From_the_Margins_to_the_Mainstream_web.pdf) (26 April 2014).

<sup>6</sup> [www.conferenceboard.ca/e-library/abstract.aspx?did=4841](http://www.conferenceboard.ca/e-library/abstract.aspx?did=4841) (14 April 2014).

<sup>7</sup> The regional home-care office is located in Prince Albert.

<sup>8</sup> The rural home-care offices are located in Hafford, Shellbrook, and Spiritwood.

<sup>9</sup> The sub home-care offices are located in Big River, Blaine Lake, Debden, and Leask.

charge. Fees are charged for services like home support (which includes personal care) and meals on wheels.

**Figure 1 – PA Parkland Available Home-Care Services**

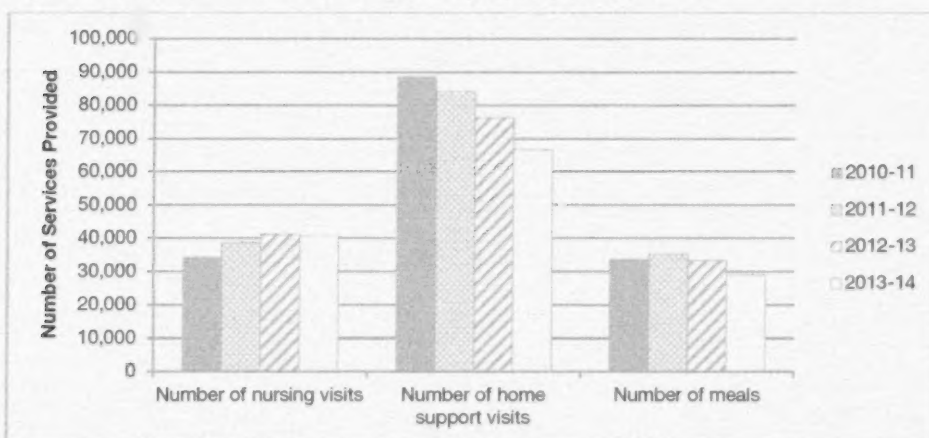
Available Home-Care Services	
Nursing	Home support
Physiotherapy and occupational therapy	End of life care
Assessment	Adult day programs
Community counsellor	Wellness clinics
Case management	Respite

Source: [www.princealbertparklandhealth.com/facilitiesNservices/FacilitiesServicesContent\\_pg.asp?masterTargetPageNumber=&masterkey=2](http://www.princealbertparklandhealth.com/facilitiesNservices/FacilitiesServicesContent_pg.asp?masterTargetPageNumber=&masterkey=2) (28 September 2014).

PA Parkland region has a population of 81,500.<sup>10</sup> Over half of the region's residents live in Prince Albert, and the remaining live in towns, rural municipalities, or First Nations communities. Depending upon location, the population has different access to health services, facilities, and professionals. Distance from services may impact availability and timeliness of home-care services.

In 2013-14, PA Parkland spent \$11.5 million (about 5.1% of PA Parkland's total expenses) on home-care services. In 2013-14, PA Parkland made 40,772 nursing visits, 66,565 home support visits, and 29,120 meals. Its nursing visits increased between 2010 to 2013, dropping slightly in 2014, and its home support visits and meals have decreased over the same time period (see **Figure 2**).

**Figure 2 – PA Parkland RHA Home-Care Services Delivered, 2010-14**



Source: [www.princealbertparklandhealth.com/OnlinePublications/PublicationsOnline\\_pg.asp?masterTargetPageNumber=&masterkey=2](http://www.princealbertparklandhealth.com/OnlinePublications/PublicationsOnline_pg.asp?masterTargetPageNumber=&masterkey=2) (14 April 2014).

A lack of effective processes to provide timely and appropriate home-care service could result in increased healthcare costs and an increased risk of poorer health outcomes for residents of the region.

<sup>10</sup> Prince Albert Parkland Regional Health Authority, 2013-14 Annual Report to the Minister of Health, p.7.



### 3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of processes used by PA Parkland to provide timely and appropriate home-care services for the period of August 1, 2013 to July 31, 2014. Our work did not include an assessment of medical decisions.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate PA Parkland's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. PA Parkland's management agreed with the criteria (see **Figure 3**).

We examined PA Parkland's policies, procedures, reports, and other relevant documents that relate to the provision of timely and appropriate home-care services. We also visited various home-care offices, interviewed various home-care staff, and tested a sample of individuals' home-care plans.

**Figure 3—Audit Criteria**

To have effective processes to provide timely and appropriate home-care services, PA Parkland should:

- 1. Establish direction for timely and appropriate home-care services in the region**
  - 1.1 Align regional policies for services with provincial guidelines
  - 1.2 Identify service needs and trends in the region
  - 1.3 Develop approach to deliver services to meet needs (e.g., strategy, policy, targets)
  - 1.4 Communicate approach to deliver services in the region (e.g., new and existing clients, staff, and partners)
  - 1.5 Train field staff or engage service providers to provide timely and appropriate services
- 2. Determine an individual's need for home-care services in the region**
  - 2.1 Identify individuals who may require services (e.g., work with patients' discharge services of acute care facilities)
  - 2.2 Assess individual's eligibility within expected timeframe
  - 2.3 Assess an individual's needs
  - 2.4 Develop individual plan based on assessed needs
  - 2.5 Approve individual plan to confirm appropriateness
- 3. Deliver individual home-care plans in a timely and appropriate manner**
  - 3.1 Provide care as set out in individual plans
  - 3.2 Coordinate with other service providers (e.g., community-based organizations, other government services)
  - 3.3 Oversee field staff to ensure delivery of quality services (e.g., staff supervision, case management)
  - 3.4 Regularly reassess individual plans for changing needs
- 4. Assess quality of home-care services**
  - 4.1 Seek feedback from clients
  - 4.2 Track, investigate and resolve complaints in a timely manner
  - 4.3 Collect and analyze data and information to track service delivery performance
  - 4.4 Use analysis to recommend improvements
  - 4.5 Report on service delivery performance

We concluded that, for the period of August 1, 2013 to July 31, 2014, PA Parkland had effective processes to provide timely and appropriate home-care services except for the following matters.

PA Parkland needs to provide more direction by having complete policies and a process to identify and monitor home-care services needs and trends. It should also improve its processes to formally assess and plan individuals' home-care needs. PA Parkland needs to ensure clients are receiving the needed services and

staff are appropriately trained, assigned, and monitored. In addition, PA Parkland needs to track and analyze information about the delivery of home-care services.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 3**.

### 4.1 More Direction Needed

#### 4.1.1 Alignment of Regional Policies with Provincial Guidelines Needed

To ensure consistency of home-care services and home-care standards in the province, the Ministry of Health (Ministry) provided all regional health authorities with the revised *Saskatchewan Ministry of Health Home Care Policy Manual* in September 2013.<sup>11</sup>

PA Parkland has set numerous policies and procedures for its home-care services. It developed the majority of its policies and procedures in 2010. PA Parkland could not provide us evidence that it has reviewed its policies since that time to ensure they remain relevant and align with the Ministry's 2013 Manual.

In our review of PA Parkland's policies, we found that the policies generally align with the Ministry's *Home Care Policy Manual*. However, some gaps exist. For example, PA Parkland does not have its own policies for the development of home-care plans for clients and requirements for reassessment/revision of those home-care plans.

Documented policies and processes help ensure duties and services are performed in a consistent manner and staff have an understanding of what is expected of them. Without complete policies, it is difficult to communicate expectations to staff and hold them accountable for the delivery of home-care services.

1. **We recommend that Prince Albert Parkland Regional Health Authority maintain policies and procedures related to care planning for home-care services that align with the Ministry of Health's Home Care Policy Manual.**

#### 4.1.2 Needs and Trends to be Identified

PA Parkland does not have a formal way to identify home-care service needs and trends in the region (e.g., environmental scan to identify potential demand for services, gaps in the availability of services, and opportunities for new services). For example, PA Parkland does not analyze its home-care client caseloads such as the statistics on the referral source (e.g., acute care, personal).

<sup>11</sup> The manual was initially issued in 2006.





During our audit, we noted that management, during various management meetings, discussed the changing home-care service needs of the region (e.g., increase in mental health referrals). However, management could not provide evidence of amendments made to its home-care services in response to those changing needs.

Without formal analysis of changes in home-care service needs, PA Parkland increases the risk that it may not identify the service needs of its region. Identification of needs provides a foundation for planning for the effective delivery of home-care services when and where they are needed, and enables the appropriate allocation of resources.

- 2. We recommend that Prince Albert Parkland Regional Health Authority establish a process to identify home-care service needs and trends in the region.**

PA Parkland follows the priorities, goals, and targets for home-care services set out by the Ministry of Health (e.g., increase the number of higher-need clients in their homes supported by Home Care as long as possible). PA Parkland monitors the progress towards meeting these goals and targets once a month. Each month, a progress report is provided to senior management and the Ministry of Health. If PA Parkland does not meet these targets, the Ministry of Health requires it to develop a corrective action plan.

#### 4.1.3 Standard and Formal Training Required

While PA Parkland makes formal training available, it does not provide this training consistently throughout the region.

PA Parkland provides orientation for all new staff. However, each of its home-care location offices has its own orientation. Also, each location has its own orientation checklists for the different positions (e.g., care aides, nurses, schedulers). These checklists differ in detail. For example, in some locations, the nurse orientation checklist includes more details about the client files (e.g., charting, client consent, home-care plans), while checklists from other locations contain very little.

PA Parkland has a clinical educator who is responsible for identifying home-care training needs, and developing and delivering that training. The clinical educator provides, on a regular basis, training (e.g., medication assistance program, hand hygiene, application of compression stockings and garments) to staff, which occurs primarily in the Prince Albert office. In some cases, the clinical educator will also provide training in the rural offices when needed.

PA Parkland has identified some training as mandatory. For mandatory training, such as client transfers, lift, and reposition training, PA Parkland posts training sheets on a bulletin board and lets the staff decide when they wish to sign up for the mandatory training. PA Parkland monitors to ensure all staff have taken the required training within a reasonable time frame.

PA Parkland needs to provide consistent training in home-care offices across the region. A formal training plan would help ensure that all staff have the necessary training and know best practices for providing timely and appropriate home-care services. Lack of

consistent training increases the risk that home-care clients in all locations may not receive the same level or quality of services.

3. We recommend that Prince Albert Parkland Regional Health Authority develop a training plan to provide consistent training to its staff delivering home-care services across the region.

## 4.2 Better Determination of Individuals' Need for Home-Care Services Needed

### 4.2.1 Process for Identifying Individuals Requiring Services Exists

PA Parkland uses the following process to identify individuals requiring services. Any individual can request home-care services. Family members or physicians can refer individuals for home-care services. Acute care and emergency care can also refer clients in need to Home Care. This can be done by patient care coordinators or nurse-to-nurse referrals.

### 4.2.2 Consistent Completion of Required Assessments Needed

As previously noted, individuals, or someone on their behalf (e.g., family member, healthcare provider), can contact one of the Region's home-care offices and request home-care services. One of the Region's intake nurses assesses and screens all new requests for services (by phone, office visit, or home visit). This step determines initial eligibility, services required, or referral to other more appropriate services. Once the initial screening is done, PA Parkland contacts new clients within 24 hours for further needs assessments.

PA Parkland has various assessment policies and uses assessment tools to assess home-care service needs and staff safety. It requires the completion of the following assessments for each client:

- 1 **Medication risk assessment:** This screening tool determines whether the client is at high risk for medication errors. For example, it determines if the client's medication regimen is simple or complex, if the client is taking the medication as prescribed or if the client has difficulty taking the medication (e.g., impaired cognition, vision, hearing, swallowing), and identifies if the client is on any high-risk medications.
- 1 **TLR (transferring, lifting, repositioning) mobility assessment:** This determines the appropriate means of moving – transferring, lifting, and repositioning – the client.
- 1 **In-home safety assessment:** This assesses the safety of the home for home-care staff who deliver the service. It includes such things as client indicators (e.g.,

physical aggression, verbal abuse, poor general hygiene), environmental indicators (e.g., dangerous stairs/walkways/driveways, hazardous internal home environment such as clutter, litter, infestations), community indicators (e.g., unsafe neighbourhood, isolated residence), and if the client has pets or smokes.

**Safe visit plan:** This plan is completed when a risk is identified during the in-home safety assessment. For example, if a pet is an identified risk, the safe visit plan outlines the action plan (e.g., phone the client before the visit to require restraint of the pet).

**Fire safety plan:** The plan sets out what to do in the case of a fire in the client's home. It must list two escape routes, emergency numbers, smoke detector locations, and if the detectors are operational.

PA Parkland has established standard forms that staff must complete when assessing new clients. For example, it requires nursing staff to complete an admission/re-evaluation checklist, indicating the date the various assessments were completed. During our audit, we found that 18% of the client files that we tested did not include the checklist in the client file, and another 24% of the checklists were incomplete.

We also found that the required needs assessments were not always completed. For example, 12% of the client files did not have an in-home safety assessment and 9% of the client files did not have the medication risk assessment.

By not completing all the required needs assessments, clients may not receive all the required services and clients and staff may be at risk of injury.

4. **We recommend that Prince Albert Parkland Regional Health Authority follow its established policies and procedures and complete the needs assessments as required for home-care services.**

#### 4.2.3 Individual Home-Care Plans Need Improvements

A client's home-care plan should set out what services PA Parkland's staff must provide (e.g., baths, medication administration, application/removal of compression hosiery), the frequency of that service (e.g., daily, weekly), and the estimated time to complete the service. The plan should also be reviewed and approved by a supervisor to ensure it is appropriate.

PA Parkland uses a database system to collect information on each client to help develop individual home-care plans. Staff enter general information about the client (e.g., referral information, diagnosis, allergies, physician contact information, family contact information, food and nutrition restrictions) and the dates the required assessments were completed. Once the information is entered, the assessors produce individual home-care plans for each client which include what care is to be provided.

However, as noted in **Section 4.2.2**, we found that the assessments were not always completed as required. Not completing all assessments increases the risk that the care plan may not be appropriate.

For the home-care plans we examined, we found that while the home-care plans included what care was to be provided, an estimate of the time required for each task was not always included in the care plan. Also, the supervisor did not always review or approve the home-care plans to ensure they were appropriate. Lack of review and approval of home-care plans increases the risk of errors in the home-care plans that could result in harm to clients.

5. We recommend that Prince Albert Parkland Regional Health Authority require supervisors to review and approve home-care plans.

## 4.3 Delivery of Home-Care Plans Need Improvement

### 4.3.1 Confirmation of Alignment of Home-Care Plans with Weekly Schedules Needed

PA Parkland provides home-care services seven days a week. It uses weekly schedules to help ensure clients receive the care they need (i.e., care as set out in the approved home-care plans).

We found that home-care locations develop weekly schedules for staff but those schedules are not reviewed by a supervisor. In 21% of the files that we tested, the care provided, as set out in the weekly schedule, was not always consistent with the care needed as set out in the home-care plan. For example, a home-care plan noted that a care worker must spend 0.25 hours each day to assist a client with anti-embolism stocking. However, the work schedule showed this care was provided only three times per week.

Schedules should be developed to ensure clients receive the services based on their assessed needs. Management should review these schedules to confirm they are consistent with the home-care plans.

6. We recommend that Prince Albert Parkland Regional Health Authority prepare and approve work schedules consistent with home-care plans.

### 4.3.2 Some Coordination with Other Services Providers but More Needed

PA Parkland works with other service providers, such as the other RHAs, Ministry of Social Services, Community Living, and the Group Home Society to determine client care. Home Care also coordinates services with other programs in the region (e.g., long-term care). For example, if a client is unable to have a bath safely at home, Home Care will work with long-term care for access to the use of the bathing equipment in a long-term care facility.





However, management indicated that acute transition (i.e., acute client transferring from PA Parkland or other regional health authorities to Home Care) is problematic as acute care departments do not consistently inform Home Care about the discharge of patients from acute care. Without this information, Home Care cannot effectively plan for service delivery.

Also, when nurse-to-nurse referrals from acute care and emergency occur, acute/emergency care nurses submit paper files to the relevant home-care office; however, staff indicated these files are often incomplete.

During our audit, we found that for 25% of the files tested, communication was inadequate. For example, a client requiring home-care services was discharged from acute care but Home Care was not notified.

Effective communication and sharing of information between acute care and Home Care is essential for delivery of timely and appropriate home care.

**7. We recommend that Prince Albert Parkland Regional Health Authority implement a process to coordinate and communicate home-care needs of clients with other service providers in the region.**

**8. We recommend that Prince Albert Parkland Regional Health Authority work with the Ministry of Health and other regional health authorities for coordination and communication of home-care needs of its clients.**

### 4.3.3 More Monitoring Required

Unlike healthcare providers who work in acute care or long-term care facilities, home-care staff provide services to clients primarily in clients' homes and as such, are not directly under the ready supervision of management.

Home-care management indicated that if a care issue was noted or a complaint received, supervisors may attend a home visit to directly supervise home-care staff. Any safety issues that staff may have are also brought forward at the region's weekly meetings and staff are reminded of the appropriate procedures. PA Parkland also monitors staff by conducting annual performance reviews.

PA Parkland does not perform any other systematic review (e.g., completeness of documentation of home-care plans, in-home safety assessment). Management stated that PA Parkland may implement peer auditing of client files.

**9. We recommend Prince Albert Parkland Regional Health Authority regularly review home-care client files as part of monitoring staff performance.**

#### 4.3.4 Reassessments Done as Required

PA Parkland's policies on needs assessments set out when reassessments of home-care clients are required. For example, it requires annual in-home safety assessments or when a change in the client's needs occurs, and requires medication risk assessments every six months or at the annual review.

During the audit, for the files we examined, we found that all the reassessments were completed as required.

### 4.4 Quality of Home-Care Services Assessed, but More Work Needed

#### 4.4.1 More Feedback Needed

PA Parkland does not receive regular, written feedback from current clients and receives limited information from past clients about its delivery of home-care services.

While PA Parkland conducts client exit surveys (utilizing a regional survey tool) of past clients and summarizes the results each quarter, this survey focuses on staff actions (e.g., staff courteous and respectful, staff listened carefully and explained treatment fully, clearly, and in a useful way) rather than on the delivery of services (i.e., timely or appropriate).

Not actively seeking feedback from clients increases the risk that PA Parkland may not have accurate information to assess the quality of its home-care services and whether those services meet the needs of its clients.

**10. We recommend that Prince Albert Parkland Regional Health Authority seek regular, written feedback from current and past home-care clients, including information about the timeliness and appropriateness of home-care services.**

#### 4.4.2 Complaint Process Exists But Analysis Needed

PA Parkland provides clients with clear information on how to make complaints. Each client receives a copy of the *Home Care Handbook* upon signing a home-care agreement. This handbook details what clients can do if they have a complaint about the quality of care they receive.

PA Parkland encourages clients to first bring complaints to the attention of the person who provided the service to enable timely corrective action. If the complaint is not resolved, clients are to bring the complaint to the attention of the home-care manager in the related area. PA Parkland's Quality Management Department can also receive complaints related to home-care services or staff (this department has only received an average of 10 complaints annually for the last three years). The Quality Management Department involves home-care staff when it investigates these complaints.

PA Parkland did not track or analyze complaints received directly by home-care staff. We noted that home-care managers documented complaints (e.g., staff forgetting to clean hands before administering medication) and brought them forward to home-care staff meetings. Staff were then reminded of the appropriate procedure.

To be able to address similar complaints and improve the quality of care, all complaints should be tracked and analyzed to identify potential systematic problems and corrective actions. To foster timely and appropriate responses, offices involved in the delivery of service relevant to the complaint should participate in the analysis and development of corrective actions.

**11. We recommend that Prince Albert Parkland Regional Health Authority implement a process to track and analyze complaints related to home-care services.**

#### 4.4.3 More Collection and Analysis of Data Needed

While PA Parkland collects some information to track service delivery performance, it does not collect or analyze information on the quality of home-care services (see **Section 4.4.1** for information collected in client exit surveys). It tracks, on a monthly basis:

- ▮ Nursing hours and the number of visits to understand workloads and caseloads
- ▮ The percentage of medication risk assessments completed on admission to home care, and the percentage of medication reconciliations completed on high-risk clients to improve medication safety for clients

While tracking this information is beneficial, analysis of it is necessary to identify trends, and address the varied rate of compliance with practices.

We found the compliance with medication risk assessment practices fluctuates from month to month. For example, for the medication risk assessments completed on admission to Home Care, the results varied from a low of 50% compliance to a high of 100% compliance. For the medication reconciliations completed on high-risk clients, the results varied from a low of 30% compliance rate to a high of 90%.

Identifying and collecting key information on home-care services along with written analysis would help PA Parkland follow up on trends and recommend improvements to its home-care program. It would also help PA Parkland determine whether its home-care program is achieving its objectives.

**12. We recommend that Prince Albert Parkland Regional Health Authority identify and collect key information to analyze the quality of its home-care services.**

#### 4.4.4 Reporting on Performance Needs Improvement

On a yearly basis, PA Parkland's Board receives a Quality Report on Home-Care Services. This report provides information such as:

- ▮ Results from the client satisfaction survey (based on client exit surveys)
- ▮ Average number of nursing visits per month over the last three years
- ▮ Staff safety training statistics (e.g., the percentage of staff trained on TLR)
- ▮ Number of incidents during the year and the actions taken

The annual report does not describe the trends, risks, or areas for action, or provide any explanation of the results. Investigation and analysis of the results would make the reports more useful and would help identify emerging risks and the required actions to address those risks.

In **Section 4.4.3**, we recommend that PA Parkland identify and collect key information to analyze the quality of its home-care services. Once this information is available, it should be reported to the Board.

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## Chapter 37

### Saskatchewan Rivers School Division No. 119— Processes to Maintain Facilities

#### 1.0 MAIN POINTS

This chapter describes our audit of Saskatchewan Rivers School Division No. 119's (Saskatchewan Rivers or Division) processes to maintain its facilities.

Saskatchewan Rivers is responsible for providing and maintaining school accommodation and facilities that are necessary for the educational programs and instructional services that it provides. If maintenance is not carried out effectively, it could result in health and safety problems for those who use the facilities, reduced quality of space, loss of facility value, higher repair costs in the future, and facilities not meeting their expected service life (i.e., replacing a facility earlier than intended).

For the 12-month period ended August 31, 2014, we found that Saskatchewan Rivers had effective processes to maintain its facilities with two exceptions. It needs to:

- 1 Establish written processes for gathering and recording reliable information about its facilities and components (e.g., condition, required maintenance, and completed maintenance), determining maintenance priorities and its maintenance plan, and monitoring timely completion of maintenance
- 2 Use performance measures and targets to regularly measure, monitor, and report on the effectiveness of its maintenance processes

We make five recommendations to assist Saskatchewan Rivers in improving its processes for maintaining its facilities.

#### 2.0 INTRODUCTION

Saskatchewan Rivers was formed in 1997 by the restructuring of four existing school divisions. In 2006, a second school division restructuring came into effect, which resulted in the school division area that exists today.<sup>1</sup> Saskatchewan Rivers is a public school division that operates in Prince Albert and surrounding rural areas. See **Exhibit 5.1** for a map of the Saskatchewan Rivers schools. Saskatchewan Rivers is responsible for educating about 9,000 students.<sup>2</sup>

For key terms and definitions, see the Glossary in **Section 6.0**.

<sup>1</sup> Saskatchewan Rivers Public School Division, [www.srsd119.ca/aboutus.html](http://www.srsd119.ca/aboutus.html) (14 July 2014).

<sup>2</sup> Saskatchewan Rivers School Division No. 119 Annual Report 2012-13, p. 7.



## 2.1 Legislated Responsibility for Maintenance

Elected boards of education (school boards) govern school divisions. School boards administer and manage school divisions, including schools, whether they are public, separate, or French language schools. *The Education Act, 1995 (Act)* and regulations set out the roles and responsibilities of school divisions and of the Ministry of Education (Ministry).

Under the Act, school divisions are responsible for providing and maintaining school accommodation, equipment, and facilities that are necessary for the educational programs and instructional services approved by the school division for each of its schools (section 85). School divisions are also responsible for prescribing procedures with respect to the maintenance of school facilities for the purpose of maintaining satisfactory standards of comfort, safety, and sanitation for the students and other users of the accommodation (section 85).

The Act requires the Ministry to approve all major capital projects<sup>3</sup> including major renovations of school buildings. School divisions require approval from the Ministry at key stages during these major capital projects.<sup>4</sup>

Also, the Ministry may make grants to help fund renovations of schools (sections 311, 351) or assist with minor preventative maintenance and renewal. The Ministry treats projects estimated to cost less than \$1 million as minor preventative maintenance and renewal projects and approves these in conjunction with its review and approval of school divisions' Preventative Maintenance and Renewal plans. The Minister may appoint a person to provide advice with respect to approval of plans for the maintenance of school buildings (section 4(b)).

Functional school buildings are necessary for students to maximize their learning opportunities – as the Ministry states, “the provision and maintenance of high quality learning facilities has a direct impact on the system’s ability to help students achieve optimal performance.”<sup>5</sup> If school division buildings are well maintained, it may reduce the amount of funding spent on major capital projects and reduce the risk of health and safety issues for those who use the facilities.

## 2.2 Saskatchewan Rivers Maintenance

By law, Saskatchewan Rivers is responsible for maintenance of about 130,000 square metres of facilities in its school division. Saskatchewan Rivers' facilities<sup>6</sup> include:

- Thirty-one schools located in 16 communities. The average age of these schools is 42 years. The oldest school is 101 years old; the newest school is eight years old.
- The school division office, support services, and maintenance services buildings, located in Prince Albert.<sup>7</sup>

<sup>3</sup> The Ministry defines major capital projects as those costing more than \$1 million.

<sup>4</sup> In our 2013 Report – Volume 1, Chapter 8, we reported the results of our audit on whether the Ministry had effective capital asset planning processes for facilities to house and support educational programs and instructional services for students in school divisions for the 12-month period ending December 31, 2012.

<sup>5</sup> Ministry of Education 2012-13 Annual Report, p. 17.

<sup>6</sup> The majority of Saskatchewan Rivers' investment in tangible capital assets is related to buildings (facilities).

<sup>7</sup> Ministry of Education 2012-13 Annual Report, p. 25.

See **Exhibit 5.2** for a list of the facilities in Saskatchewan Rivers.

The Division's cost for routine maintenance of these facilities is reflected in its plant operations and maintenance expense. This expense is Saskatchewan Rivers' second largest at about 12% of total annual expenses (see **Exhibit 5.3**). In 2013-14, it plans to spend \$13.2 million (2012-13: actual \$11.2 million) on plant operations and maintenance expense.

The Division's spending on major maintenance (e.g., replacement of a roof) is included in its capital project spending. In 2012-13, Saskatchewan Rivers spent \$11.6 million on capital projects; a portion of this spending related to major maintenance.<sup>8</sup>

With direction from the Saskatchewan Rivers Board of Education (Board) and its Director of Education, the Superintendent of Facilities is responsible for Saskatchewan Rivers' maintenance and caretaking activities with the assistance of two managers (see **Exhibit 5.4**). The Maintenance Manager is responsible for 14 maintenance staff members.

Completing all required maintenance is essential to the ongoing operation of a school division and allows the school division to meet its legislated responsibilities. Not carrying out adequate maintenance on facilities can lead to potential health and safety problems for those that use the facilities, reduced quality of space, loss of facility value, higher repair costs in the future, and loss of facility service life (i.e., replacing a facility earlier than intended).

### 3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of Saskatchewan Rivers School Division No. 119's processes to maintain its facilities for the 12-month period ended August 31, 2014.

For the purposes of this audit, maintenance is defined as the process of keeping existing facilities in good condition to meet service objectives,<sup>9</sup> and does not include caretaking services. Facilities include all buildings<sup>10</sup> and significant components (e.g., heating and air conditioning units) owned by Saskatchewan Rivers.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Saskatchewan Rivers' processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. Saskatchewan Rivers' management agreed with the criteria (see **Figure 1**).

We examined Saskatchewan Rivers' policies and procedures that relate to maintaining facilities, reviewed the school division's maintenance forms, manuals, and records, and tested a sample of maintenance items. We also interviewed school division staff.

<sup>8</sup> Ibid., p. 76.

<sup>9</sup> Service objectives are the intended purpose over a specified service life plan.

<sup>10</sup> Buildings include school buildings, bus depots, storage facilities, etc.



**Figure 1—Audit Criteria**

To have effective processes to maintain its facilities, Saskatchewan Rivers should:

- 1. Keep reliable information on facilities**
  - 1.1 Identify the facilities, including components, that must be maintained
  - 1.2 Determine service objectives for long-term performance
  - 1.3 Maintain current, reliable information needed to manage facility maintenance (e.g., facility condition, remaining service potential, estimated maintenance costs, estimated replacement cost)
  - 1.4 Assess risk that facilities will not meet required service objectives
- 2. Develop a maintenance plan**
  - 2.1 Establish specific maintenance objectives, strategies, and performance measures
  - 2.2 Set maintenance priorities (short-, medium-, and long-term)
  - 2.3 Evaluate strategies against available resources (short-, medium-, and long-term costs)
- 3. Carry out maintenance effectively**
  - 3.1 Use recognized maintenance standards
  - 3.2 Implement maintenance procedures consistent with standards
  - 3.3 Provide staff with guidance on use of maintenance procedures
  - 3.4 Track maintenance activities
- 4. Monitor performance of maintenance**
  - 4.1 Analyze progress in carrying out maintenance plan
  - 4.2 Periodically report on maintenance activities (e.g., progress against maintenance plan, total deferred maintenance) to internal and external stakeholders (i.e., Board, Ministry of Education, public)
  - 4.3 Adjust plans as new information becomes available

We concluded that for the 12-month period ended August 31, 2014, Saskatchewan Rivers School Division No. 119 had effective processes to maintain its facilities with two exceptions. It needs to:

- › Establish written processes for gathering and recording reliable information about its facilities and components (e.g., condition, required maintenance, and completed maintenance), determining maintenance priorities and its maintenance plan, and monitoring timely completion of maintenance
- › Use performance measures and targets to regularly measure, monitor, and report on the effectiveness of its maintenance processes

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our expectations (in italics), key findings, and recommendations related to each audit criteria in **Figure 1**.

### 4.1 Documented Processes Needed to Keep Maintenance Information Up to Date

*We expected Saskatchewan Rivers to identify all of its facilities and significant facility components (e.g., air conditioning units) that must be maintained. We expected Saskatchewan Rivers to determine service objectives for long-term performance of facilities, and to assess the risk that facilities will not meet the service objectives. Service objectives help to define the importance of a facility or component to the organization's purpose so that an effective maintenance plan can be established.*

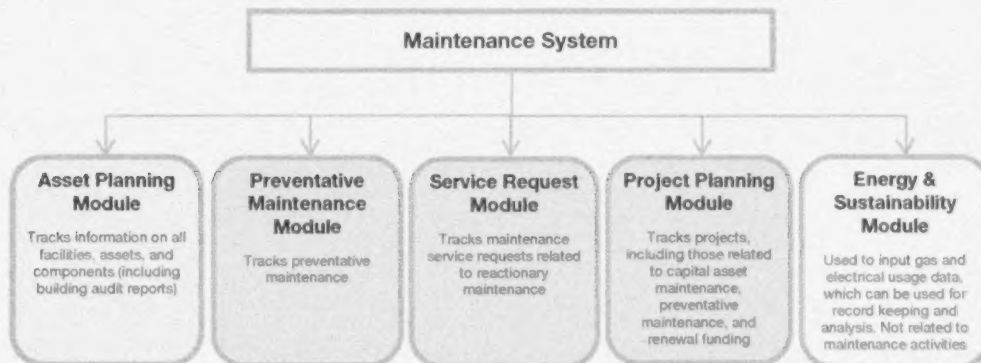
*We expected it to keep current, reliable information about the facilities and components needed to manage their maintenance (e.g., facility condition, estimated maintenance*

costs, estimated replacement costs). Information about facilities and components is essential to assess the required maintenance included in maintenance plans and to analyze progress for reporting against those plans.

### **Asset Planning System**

Saskatchewan Rivers uses a web-based asset planning system (Maintenance System) to manage and track its maintenance activities. The system has five modules, four of which are related to maintenance activities. See **Figure 2** for the modules and a brief description of each module.

**Figure 2—Saskatchewan Rivers Maintenance System**



Source: Saskatchewan Rivers Maintenance System.

Saskatchewan Rivers uses the Asset Planning Module to track general information about its facilities and components such as a detailed description, location, purchase date, history, replacement cost, and links to condition reports provided by external experts. Maintenance staff need this information to carry out the required maintenance activities planned for the facilities.

Saskatchewan Rivers uses the following three of the modules to track maintenance activities for its facilities:

- 3 **Preventative Maintenance Module** – This Module tracks routine repairs and inspections intended to assist in systematic correction of emerging failures before they occur or before they develop into major defects.
- 2 **Service Request Module** – This Module tracks minor repairs that are conducted in the form of service requests and are completed as issues arise. Saskatchewan Rivers calls this reactionary maintenance.
- 2 **Project Planning Module** – This Module tracks all of Saskatchewan Rivers' projects, including those related to Ministry funding. Tracked activities include larger or more complex maintenance activities (e.g., repairs or replacements of components). Not all projects are directly related to maintenance activities (e.g., construction of a new school).

Saskatchewan Rivers does not have written policies for gathering and recording reliable information about its facilities. It has some written procedures that provide some general requirements (e.g., prepare a long-term capital plan, inspect facilities to identify

maintenance needs). The written procedures do not provide detailed guidance about carrying out these processes, such as expectations for gathering information to be used in the development of the capital plan, use of facility inspection results, or use of its Maintenance System. Rather, it uses various informal processes to keep information about facilities as described later in this section. Having key processes documented is important to enable knowledge transfer in the event of staff turnover, and keeps staff more informed about expectations to ensure consistent processes are followed. Documented processes can also keep those responsible accountable for their actions since the expectations are clearly laid out.

The Maintenance System contains information on each facility and its components. We found that the listing of facilities in the Maintenance System was complete. Also, Saskatchewan Rivers has processes to record, in the system, new components installed or additions to facilities.

### **Service Objectives for Facilities**

Saskatchewan Rivers has set service objectives for its facilities. The broad service objective is to provide facilities necessary for the educational programs approved by the school division.<sup>11</sup> These include facilities required for support services.

In 2013, Saskatchewan Rivers' staff conducted a facilities study for its Board using information from its Maintenance System and previous external condition audits. Saskatchewan Rivers plans to update this internal study every five years.

This study included useful information related to the service objectives for school facilities. For example, the study analyzed information (such as projected enrolments, and capacity) to determine the facility life and condition needed to meet Saskatchewan Rivers' future needs.

The study also assessed current facility condition and identified schools that may require significant investment to meet Saskatchewan Rivers' service objectives. It did this by assigning a condition rating of A, B, C or D, with A indicating good condition and D indicating poor condition. It identified gaps between the service objectives and the current condition of the facilities. While this study identified gaps between the service objectives and current condition of facilities, it did not clearly describe the risks, and short- to long-term consequences if maintenance was not performed as needed.

Maintenance staff did not document, in the Maintenance System, the estimated remaining service life or condition rating that the study determined for each facility and component. Documenting such information in the Maintenance System would enable management to readily use it when planning for future maintenance.

Saskatchewan Rivers does not use formal processes to assess the risk to facilities or components if maintenance is not performed (i.e., risk of not meeting service objectives). Management informally assesses risks based on their knowledge and experience but does not document this assessment. Assessment of risks is key information needed for developing a maintenance plan. Documenting assessment of risks helps facilitate appropriate review and challenge of them.

<sup>11</sup> The Education Act, 1995, section 85(1)(d).

### **Facility Inspections**

To gather required facility information, Division maintenance staff and contracted experts inspect facilities in addition to Ministry-driven inspections.

Every five years, the Ministry arranges for each school division to have detailed condition inspections of each of its schools (i.e., condition audits). The Ministry contracts an expert to do this. The condition audits provide a list of maintenance required by school, as well as information on facility condition. At August 2014, the Ministry expert was completing Saskatchewan Rivers' condition audits. Saskatchewan Rivers and the Ministry expect to receive the results of the condition audit in the spring of 2015.

Saskatchewan Rivers also contracts other experts to help gather information about facilities as required. For example, it expects to receive an expert's report about asbestos in its buildings in late 2014.

Each fall, maintenance staff inspect facilities and components as required. Staff use forms to document the inspection results, including any preventative maintenance tasks or service requests identified, and enter this into the Maintenance System.

Maintenance staff use other forms to document the completion of preventative maintenance tasks or service requests, and enter this into the Maintenance System. For the sample of preventative maintenance tasks we tested, the Maintenance System showed 13% were not completed as planned. Management indicated that the work was completed, but that the system was not updated. For example, maintenance employees changed a filter on a force flow heater in December 2013 as scheduled, but at July 2014 had not updated the system to document completion of this work.

Saskatchewan Rivers does not have documented procedures to ensure staff:

- › Inspect all significant components of facilities in a timely manner
- › Complete inspections at appropriate times (e.g., consistent with related standards or inspections for that type of component)
- › Enter information in the Maintenance System (e.g., condition of each component, estimated remaining service life, maintenance needs, completed maintenance) and keep it up to date

Also, the Division does not have established processes for how management should use the results of its or the Ministry's inspections completed by experts. It does not enter or track inspection results (e.g., condition of facility, required maintenance) from these inspections in its Maintenance System. In addition, management noted that, at times, it disagreed with the maintenance requirement identified by experts. For example, management disagreed with the finding of a condition audit of one school that indicated the boilers required replacement. We found it does not document its reasons for disagreeing.

A lack of documented processes for keeping current and reliable information about facilities and components increases the risk that maintenance will not be appropriately scheduled or completed, and may cause incorrect decisions about what maintenance to



do and when. Regular maintenance is required to ensure the facilities are safe and available for educational programs, while also managing cost.

1. **We recommend that Saskatchewan Rivers School Division No. 119 establish written processes for gathering and recording reliable information about facilities and components.**

## 4.2 Maintenance Planning Processes Need Improvement

### 4.2.1 Documentation of Planning Processes Needed

*We expected Saskatchewan Rivers to develop a maintenance plan. This plan would include its maintenance objectives and key maintenance strategies. We expected its strategies to reflect its short-, medium-, and long-term priorities for maintenance and availability of resources for maintenance.*

Saskatchewan Rivers does not have an overall maintenance plan that clearly sets out its maintenance objectives, strategies, and priorities (i.e., planned maintenance activities). Instead, it uses a variety of means to document the various components of its plan.

Saskatchewan Rivers used the results of its facilities study (as described in **Section 4.1.1**) to help it determine required levels of maintenance (i.e., maintenance objectives). It also used this information to develop informal maintenance strategies reflected as short-, medium-, and long-term maintenance requirements.

Saskatchewan Rivers determines the maintenance requirements for each facility and component based on its maintenance staff's experience, guidelines in equipment manuals, the National Building Code, and advice of contractors that install components. For example, quarterly preventative maintenance requirements for a boiler are set to reoccur every quarter for the expected life of the boiler, while replacement of a boiler would be set up as a project near the end of the boiler's service life.

Saskatchewan Rivers documents planned maintenance activities, identified through its prioritization processes, in several documents and its Maintenance System. These documents include a five-year capital plan, a three-year Preventative Maintenance and Renewal Plan, and an annual operating budget for maintenance.

- 7 **Five-year capital plan** – Long-term planning processes support effective prioritization of limited resources. Saskatchewan Rivers' most recent five-year capital plan was prepared in 2012-13 using the format that the Ministry previously required from school divisions (2012-13 was the last time the Ministry requested this plan).<sup>12</sup> The Board approved this plan. The plan includes projects costing more than \$1 million that may include major maintenance projects.

<sup>12</sup> In 2013-14, the Ministry was in the process of changing its process for reviewing and approving capital projects and related plans.

**Three-year Preventative Maintenance and Renewal Plan** – The Ministry provides annual funding for minor preventative maintenance and renewal as set out in Division's approved three-year Preventative Maintenance and Renewal Plan. The Ministry approves the plan annually following the Board's approval. The Ministry's policies set criteria to determine which projects are eligible for funding. In 2013-14, the Division received \$1.1 million (2012-13 – \$0.8 million).

**Annual operating budget** – Each year, the Division's budget includes funding for other maintenance projects, routine preventative maintenance tasks, and scheduled service requests. The Board approves this budget.

The Maintenance System includes approved maintenance projects related to the capital plan and Preventative Maintenance and Renewal Plan. The Superintendent of Facilities approves maintenance activities set out in the Maintenance System within the Board-approved budgets.

Maintenance staff informally determine the priority of maintenance projects and activities as set out in the above plans. Priority is based on their experience, input from other staff working in schools, their knowledge of available resources, facility and component life cycles, maintenance history, and health or safety concerns.

While the Division schedules projects and preventative maintenance tasks, it does not schedule completion dates for all service requests or set a standard expectation for follow up of service requests. Also, Saskatchewan Rivers does not identify or track its total deferred maintenance as part of its prioritization processes. Not having complete information on maintenance that has been deferred increases the risk of incorrectly prioritizing maintenance (i.e., not doing the right maintenance at the right time).

Saskatchewan Rivers does not have a policy that sets out its maintenance planning processes. Documented processes would help it clearly communicate how it defines its maintenance objectives and strategies, sets priorities (identifies significant maintenance requirements), and makes resource allocation decisions. Processes would include how it assesses the risk to facilities or components if timely maintenance is not performed because of limited availability of resources. This communication would help ensure consistency of prioritization and planning of maintenance activities, including in the event of staff turnover.

2. **We recommend that Saskatchewan Rivers School Division No. 119 establish written processes for determining its facility maintenance priorities and developing its maintenance plan.**

#### 4.2.2 Performance Measures Needed

*We expected Saskatchewan Rivers to establish performance measures and targets to measure the success of its maintenance plan.*

While Saskatchewan Rivers has identified some measurable actions (such as managing maintenance activities within the approved budget), these are not sufficient to evaluate the success of its maintenance activities. It does not calculate, monitor or analyze the



facility conditions index (FCI) for each of its facilities, total deferred maintenance, or the expected consequences of deferred maintenance. Deferred maintenance can result in shorter service life, immediate facility closure due to safety violations, and higher maintenance costs. Such information can help management and the Board evaluate the most effective and efficient use of limited resources and support additional resource requests.

Performance measures would help Saskatchewan Rivers assess whether its strategies for meeting its maintenance objectives are effective. Without sufficient performance measures, Saskatchewan Rivers cannot assess if its maintenance strategies are meeting its objectives.

The Superintendent of Facilities plans to prepare a maintenance report for the Board's review in fall 2014. Management intends to prepare this report annually, although there is currently no policy requiring this. At the time of our audit, the content of the report had not yet been determined.

- 3. We recommend that the Board of Education of the Saskatchewan Rivers School Division No. 119 set performance measures and targets for monitoring the effectiveness of its strategies to maintain its facilities.**

### 4.3 Need to Monitor Completion of Maintenance

*We expected Saskatchewan Rivers to use recognized maintenance standards, implement procedures consistent with standards, and provide staff with guidance on use of procedures. We expected Saskatchewan Rivers to track its maintenance activities to ensure maintenance is completed as scheduled.*

As illustrated by **Figure 3**, Saskatchewan Rivers conducts a large number of preventive maintenance tasks and service requests each year.

**Figure 3—Maintenance Activities for 12 Months Ended August 31, 2014**

Description	Total	Completed	Outstanding	Deferred
Projects	107	79	28	0
Preventative Maintenance Tasks	4,560	4,025	535	0
Service Requests	4,240	3,771	263	206*

Source: Saskatchewan Rivers Maintenance System.

\*Deferred service requests include non-urgent requests and/or requests where additional resources are needed.

Saskatchewan Rivers hires maintenance staff who are professionals in relevant trades (i.e., have journeyman status) or who have sufficient experience in their trade. Maintenance staff receive regular professional development when required (e.g., confined space, fall protection, first aid) and are expected to use recognized standards to carry out maintenance activities. These standards include the National Building Code, fire codes, and preventative maintenance outlined in equipment manuals.

Saskatchewan Rivers provides maintenance staff with guidance through weekly meetings and maintenance forms. Staff have access to preventative maintenance procedures in the Maintenance System to assist them in performing maintenance (e.g., inspect boiler pump and motor, change furnace filters). It also has documented maintenance job procedures and safe work practices for staff to use; each year, it reviews, updates, and approves them.

Saskatchewan Rivers does not have established processes to monitor whether maintenance is completed when expected and done properly. In **Section 4.1**, we also describe that maintenance completed was not always properly entered into the Maintenance System.

Lack of processes to monitor that maintenance is completed properly and when scheduled may cause maintenance to be deferred without adequate justification or authorization. Also, inappropriately updated information on completed maintenance can result in inefficient use of resources (e.g., conducting inspections more frequently than required, unnecessary travel).

4. We recommend that Saskatchewan Rivers School Division No. 119 establish written processes for monitoring the timely completion of maintenance of its facilities.

## 4.4 Reporting on Maintenance Needed

*We expected Saskatchewan Rivers to analyze the progress in carrying out its planned maintenance and take action as needed to meet its objectives. We expected it to periodically report about this progress to its stakeholders.*

The Board receives some information about work completed related to the Preventative Maintenance and Renewal Plan and quarterly financial information that includes maintenance expenses compared to budget. Management meets weekly and discusses maintenance issues that arise as needed. Saskatchewan Rivers reports the number of facilities and a range of facility ages in its annual report.

The information provided does not include all types of maintenance and is not sufficient to assess if the right maintenance was completed at the right time. As described in **Section 4.2.2**, Saskatchewan Rivers has not identified sufficient performance measures and targets for reporting on maintenance performance to management, the Board, or other stakeholders such as the Ministry or the public. As such, the Board and management do not receive regular reports on maintenance performance.

Saskatchewan Rivers does not provide its staff with written guidance for analyzing its progress in carrying out planned maintenance. Providing guidance on what information should be analyzed and reported, and how frequently, would help focus resources on the highest priority areas and provide meaningful information about the impact of maintenance on the condition of facilities. This information would help staff determine if they need to revise the approaches they are taking and aid in determining how to best allocate limited resources (i.e., reassess strategies, activities, or priorities). For example,





if deferred maintenance is higher than planned, it may have to invest additional resources to improve the condition of facilities.

As described in **Section 4.1**, Saskatchewan Rivers performed a facilities study for its Board in 2013. This study identified maintenance issues, recommended which schools could be maintained in the short and long term, and recommended actions as a result of the study. Saskatchewan Rivers has begun to take action to address the recommendations from the study.

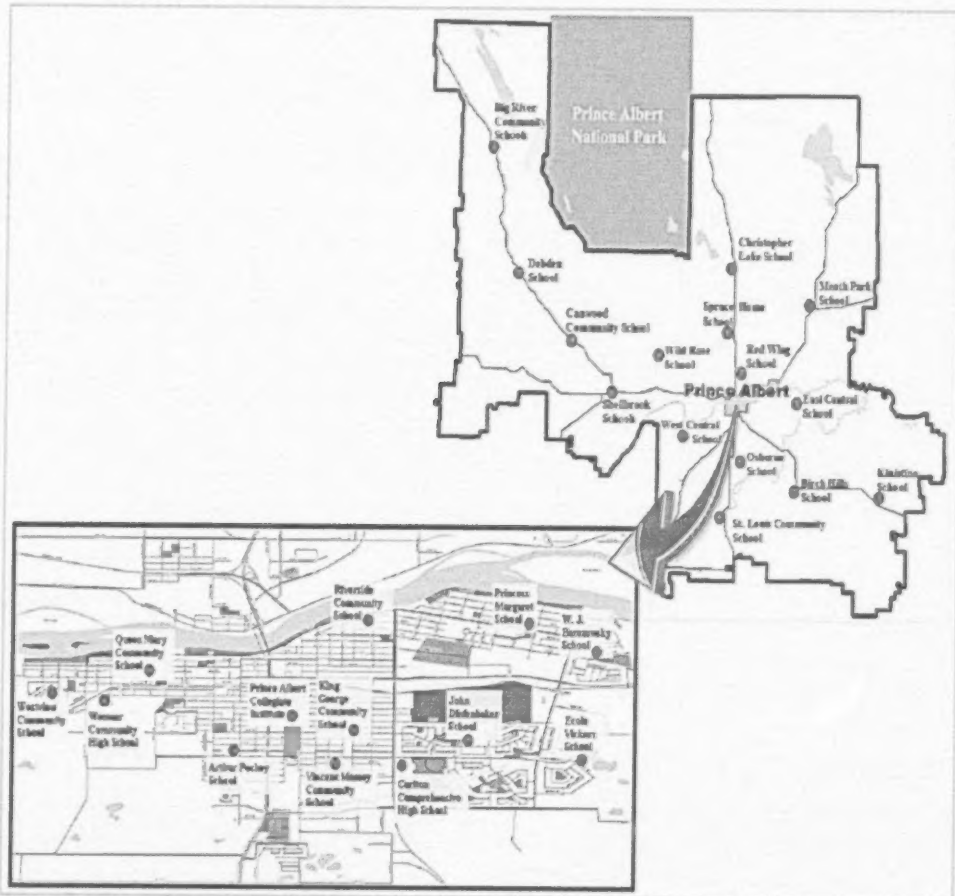
As noted in **Section 4.2.2**, the Superintendent of Facilities plans to prepare a maintenance report for the Board's review in fall 2014. Management intends to prepare this report annually.

Without sufficient analysis and reporting about maintenance results, stakeholders (e.g., management, Board, Ministry, public) cannot assess if effective maintenance of facilities and components is occurring or if maintenance funding is sufficient and efficiently used. Management and the Board also need this information to adjust maintenance plans to meet objectives.

5. **We recommend that the Board of Education of the Saskatchewan Rivers School Division No. 119 require periodic reports analyzing the results of its maintenance processes.**

## 5.0 EXHIBITS

### 5.1 Map of Schools in Saskatchewan Rivers



Source: Saskatchewan Rivers School Division No. 119 Annual Report 2012-13, p. 7.

### 5.2 Facilities in Saskatchewan Rivers

Facility*	Year Built	Range/Years of Renovations	Replacement Cost (in millions)
Arthur Pechey Public School	1959	1964, 1971	8.6
Big River Public High School	1989	-	11.0
Birch Hills Public School	1960	1985	19.6
Canwood Public School	1959	1964-1992	10.0
Carlton Comprehensive Public High School	1963	1976, 2013	89.6
Christopher Lake Public School	1958	1968, 1973	5.1
Debdon Public School	1956	1961-2005	14.3

Facility*	Year Built	Range/Years of Renovations	Replacement Cost (in millions)
East Central Public School	1975	1984	4.7
John Diefenbaker Public School	1964	1966, 1972	12.7
King George Public School	1912	1950-1978	11.6
Kinistino Public School	1960	1963-1979	12.3
Meath Park Public School	1961	1967-1983	11.0
Osborne Public School	1964	1978	4.6
Prince Albert Collegiate	1908	1947-1976	13.7
Princess Margaret Public School	1959	1970, 1972	6.5
Queen Mary Public School	1985	-	17.1
Red Wing Public School	1965	1968-1998	8.1
Riverside Public School	1958	1986	19.3
Shellbrook Elementary Public School	1956	1958-2001	6.1
Spruce Home Public School	1963	1966, 1985	5.5
St. Louis Public School	1956	1962-1974	9.8
T.D. Michel Public School	1981	-	6.5
Vickers Public School	1981	1983, 1987	18.7
Vincent Massey Public School	2004-05	-	12.7
W.J. Berezowsky Public School	1978	1982, 2003	7.4
W.P. Sandin Public High School	1960	1986	15.5
Wesmor Public High School	1959	1970, 1980	11.8
West Central Public School	1979	-	5.0
Westview Public School	2002	-	7.2
Wild Rose Public School	1969	1986	5.2
Won Ska Cultural Public School	1959	1985	2.1
Bus Maintenance Facility	2003	-	2.9
Education Centre	1931	1980, 2014	7.2
Maintenance Centre	1981	-	2.1
Support Services Centre	2012	-	2.2

Source: Maintenance System (18 September 2014).

\* Winding River Colony School is owned by the colony, not Saskatchewan Rivers, so it is not included in this list.

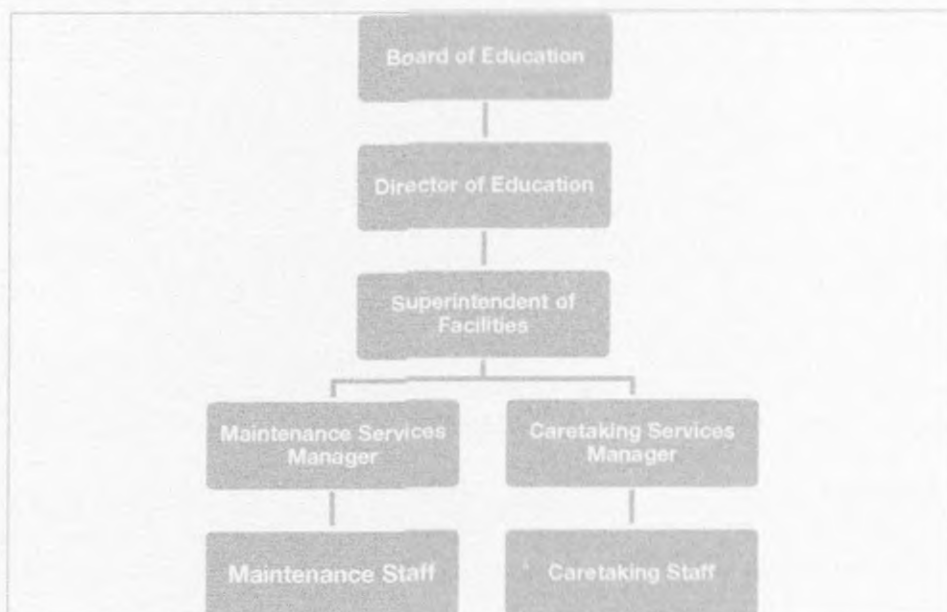
### 5.3 Saskatchewan Rivers Capital and Maintenance Expenditures

Information on Capital and Maintenance Expenditures	2014 Budget Unaudited	2013 Actual	2012 Actual	2011 Actual
For the year ended August 31 (in thousands)				
Plant Operations & Maintenance Expense	\$13,164	\$11,238	\$10,581	\$10,725
Total Expenses	\$100,978	\$95,670	\$91,160	\$89,233
% of Total Expenses related to Plant Operation & Maintenance Expense	13.0%	11.7%	11.6%	12.0%
Buildings – Net Book Value*	Not budgeted	\$57,018	\$48,158	\$44,826
Tangible Capital Assets – Net Book Value		\$70,284	\$61,237	\$57,896
% of Tangible Capital Assets Related to Buildings		81.1%	78.6%	77.4%

Source: Saskatchewan Rivers School Division No. 119 Annual Report 2012-13, Saskatchewan Rivers School Division No. 119 annual financial statements, and Saskatchewan Rivers Public School Division Budget 2013-14.

\*Includes net book value of buildings, buildings-short term, and work-in-progress.

### 5.4 Saskatchewan Rivers' Facilities Organizational Chart



Source: [www.srsd119.ca/boardofeducationfiles/Organizationalchart.pdf](http://www.srsd119.ca/boardofeducationfiles/Organizationalchart.pdf) (8 October 2014).





## 6.0 GLOSSARY

**Deferred Maintenance** – work that has been postponed or phased for future action.

**Facility Conditions Index (FCI)** – the amount of deferred maintenance divided by the current replacement value (CRV).

**Maintenance** – the process of keeping existing facilities in good condition to meet service objectives.

**Preventative Maintenance** – repairs and inspections intended to assist in systematic correction of emerging failures before they occur or before they develop into major defects.

**Reactionary Maintenance** – repairs that are in response to service requests and are completed as issues arise.

**Service Objectives** – the intended purpose over a specified service life plan.

## 7.0 SELECTED REFERENCES

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## Chapter 38

### Saskatoon School Division No. 13—Goods and Services Procurement Processes

#### 1.0 MAIN POINTS

Buying goods and services can involve significant risks. Use of effective processes to buy (procure) goods and services helps ensure public sector agencies make purchase decisions in an open and transparent manner, treat suppliers fairly, and use public resources wisely.

This chapter focuses on Saskatoon Public School Division No. 13 (Saskatoon Public), as it is one of the larger school divisions. We encourage other school divisions to use the criteria and findings in this chapter as a way to self-assess their procurement processes.

In common with the other 27 school divisions, Saskatoon Public uses public resources to buy goods and services to operate. In this chapter, we report that Saskatoon Public had, other than in the following areas, effective processes for the procurement of goods and services.

We found that Saskatoon Public needs to:

- › Regularly review, update, approve, and enforce its procurement policies
- › Require sufficient reporting about procurement activities to its Board
- › Retain documentation of its analysis and decisions for awarding tenders
- › Establish minimum contract documentation requirements
- › Validate suppliers, and restrict user access to make changes to supplier information within its financial system

#### 2.0 INTRODUCTION

Saskatoon Public has a student population of about 23,500, with approximately 2,300 full-time equivalent staff. The school division has 44 elementary schools, 11 high schools, two associate schools, and educational programs that are also offered away from a school site. In its 2012-13 audited consolidated financial statements for the year ended August 31, 2013, Saskatoon Public reported spending \$39.4 million on goods and services.

This chapter sets out the results of our audit to assess the effectiveness of Saskatoon Public's processes for the procurement of goods and services for the 12-month period ended August 31, 2014.



## 2.1 Background—Procurement

Section 85(1) of *The Education Act, 1995* (Act) assigns boards of education (school boards) of school divisions with the responsibility for administration and management of schools within their division, with oversight from the Ministry of Education (Ministry). The Act makes school boards responsible for exercising general supervision and control over the schools in the school division. In addition, subject to other provisions of the Act, school boards approve administrative procedures pertaining to the internal organization, management, and supervision of schools.

To carry out their responsibilities, school divisions, using public resources, purchase various goods and services throughout the year. Goods and services include:

- › Caretaking services and supplies
- › Office supplies
- › Maintenance contracts
- › Learning resources, including textbooks, library books, reference books, and equipment
- › Supplies and materials considered necessary for courses of instruction

School divisions may also incur various expenditures pertaining to the transportation of students, such as the purchase or lease of vehicles (sections 195 and 354 of the Act), or entering into a contract for the provision of transportation services. *The Education Regulations, 1986* require school divisions to tender the provision of transportation services if they expect the cost to exceed \$75,000.

School divisions use public resources to acquire goods and services as part of their mandate to provide education to students. School divisions must manage the acquisition of goods and services so that processes are both transparent and display fairness. Transparency and fairness depend on clear communication of needs, articulation of evaluation criteria, and unbiased processes for selection of vendors.<sup>1</sup> The procurement of goods and services can involve significant risks.

This audit focused on Saskatoon Public, as it is one of the larger school divisions in the province. The criteria in this audit are equally applicable to all school divisions. In common with other school divisions, Saskatoon Public's reputation may be at risk if it does not have a transparent and unbiased process for procuring goods and securing services.

Ineffective procurement processes can also pose financial risks, which could result in the school division not obtaining best value for public money. Alternative procurement methods, such as single- or sole-source procurement<sup>2</sup> and purchasing cards, also introduce risks to the process that must be properly evaluated and managed.

<sup>1</sup> For the purposes of our audit, the terms vendor and supplier are used interchangeably.

<sup>2</sup> Sole source is where there is only one possible vendor. Single source is the use of one of multiple possible vendors without tendering.

To manage its risks, Saskatoon Public requires effective processes so that it procures goods and services with due regard for obtaining best value for the school division in a way that is fair and transparent. Ineffective processes for procurement of goods and services could result in Saskatoon Public not obtaining best value for the division, subjecting itself to increased reputational risks.

### 3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of Saskatoon School Division No. 13's processes for the procurement of goods and services for the 12-month period ended August 31, 2014.

For the purposes of this audit, the procurement of goods and services did not include the procurement of capital infrastructure items.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Saskatoon Public's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. Saskatoon Public's management agreed with the criteria (see **Figure 1**).

We examined Saskatoon Public's policies and procedures that relate to the procurement of goods and services for the 12-month period ended August 31, 2014. We interviewed staff responsible for the procurement of goods and services, including senior management. We tested key aspects of the procurement processes by examining procurement files, contracts, invoices, and purchasing card statements to assess the effectiveness of the processes throughout the audit period.

**Figure 1—Audit Criteria**

To be effective, processes for procurement of goods and services should:

- 1. Set policies for procurement of goods and services**
  - 1.1 Develop and approve policies for procurement of goods and services
  - 1.2 Align policies with externally-imposed requirements (e.g., funding agencies)
  - 1.3 Update policies periodically
  - 1.4 Communicate policies for procurement
  - 1.5 Monitor and report on compliance with policies
- 2. Define the need and specifications for required goods and services**
  - 2.1 Define the need in sufficient detail for supplier's and agency's understanding
  - 2.2 Define specifications to encourage open and effective competition
  - 2.3 Specify other requirements (e.g., warranty, delivery, packaging, performance guarantees)
  - 2.4 Use specifications that support government and organization policies
- 3. Obtain quotations fairly**
  - 3.1 Identify feasible sources of supply
  - 3.2 Obtain appropriate authorization to initiate purchase (e.g., tenders)
  - 3.3 Give equal and fair treatment to potential suppliers
- 4. Select suppliers for required goods and services**
  - 4.1 Evaluate potential suppliers for best value
  - 4.2 Document decision for vendor selection
  - 4.3 Obtain appropriate approval to buy goods and services
  - 4.4 Inform bidders of tender decision
  - 4.5 Obtain written contractual agreements
- 5. Manage vendors**
  - 5.1 Validate vendors
  - 5.2 Pay vendors in accordance with written contracts
  - 5.3 Take internal action on performance problems
  - 5.4 Report performance problems to suppliers





We concluded that for the 12-month period ended August 31, 2014, Saskatoon School Division No. 13 had effective processes for the procurement of goods and services except it needs to:

- 1 Regularly review, update, approve, and enforce its policies related to the procurement of goods and services
- 2 Require sufficient reporting to its Board about procurement activities
- 3 Retain documentation of its analysis and decisions for awarding tenders
- 4 Establish minimum contract documentation requirements
- 5 Validate suppliers, and restrict user access to make changes to supplier information within the financial system

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out the criteria (expectations) and our key findings, along with the related recommendations.

### 4.1 Setting Policies for Procurement of Goods and Services

#### 4.1.1 Clear and Complete Delegation of Authority Needed

*We expected the following. Saskatoon Public would develop, and the Board would approve policies for procurement of goods and services, periodically update its policies, and communicate its policies to its staff. The Board would formally delegate authorities consistent with approved policies. Its delegation of authority policy would give certain positions authority to make financial decisions on behalf of Saskatoon Public, and the nature and extent of the authority would align with the responsibilities and knowledge of the position. Also, such a policy would specify for each assigned position, the extent of authority delegated, and related accountability for specific financial activities (e.g., approve contracts up to \$10,000).*

Saskatoon Public maintains its administrative procedures (policies) within its *Administrative Procedures Manual* (Manual), and centrally maintains all of its policies on the school division's website.<sup>3</sup> These include policies over the procurement of its goods and services including purchasing, tendering, and guidelines for the use of purchasing cards. Its policies require obtaining goods and services through open competition wherever possible. Approved procurement methods and authorizations vary depending on the dollar value of purchases. For example, the Board must approve all purchases over \$100,000. For purchases less than \$1,000, staff may use purchasing cards, if they are assigned one. Open competition (e.g., formal tenders, quotations, etc.) must be used for purchases over certain dollar thresholds (see **Figure 2**). The purchasing policy

<sup>3</sup> [www.spsd.sk.ca/division/adminproceduresmanual](http://www.spsd.sk.ca/division/adminproceduresmanual) (9 September 2014).

includes requirements for open competition that establish thresholds for the minimum tendering and quotation requirements.

**Figure 2—Minimum Tendering and Quotation Requirements**

Dollar Threshold	Procurement Method
Up to \$5,000	Supplier chosen at the discretion of Purchasing Services based on market knowledge – this may include informal quotations, depending on the situation
Between \$5,000 and \$20,000	Minimum of three formal quotations
Over \$20,000	Formal tender
Over \$100,000	Public tender, as required by the Agreement on Internal Trade

Source: Saskatoon School Division No. 13's Purchasing Administrative Procedure.

The purchasing card policy establishes programmed limits per transaction and per month. The policy also outlines prohibited purchases when using a purchasing card (e.g., personal items, commitments requiring a contract, splitting of purchases to bypass transaction limits, alcohol).

Saskatoon Public's Purchasing Services Branch (Purchasing Services) is responsible for procuring all of its goods and services, with the exception of purchases less than \$1,000. These purchases are processed through use of purchasing cards or the Division's On-Line Catalogue and Ordering system.<sup>4</sup>

The purchasing policy specifically outlines certain procurement responsibilities of the Chief Financial Officer (CFO) and the Manager of Purchasing Services. For example, the Manager of Purchasing Services or the CFO are each given the sole authority to execute purchase or lease contracts or purchase orders on behalf of the school division. However, the policy is silent with respect to the purchasing authority of other management and staff (e.g., superintendents, managers, principals).

We found that other management and staff routinely approve purchases. Saskatoon Public has not clearly outlined, in writing, the nature and extent of authority for each of these individuals. As such, its delegation of authority is not formalized or complete.

Without complete, written delegation of authority policies, there is increased risk of making inappropriate purchasing decisions without sufficient authority. It also increases the risk of being unable to hold management and staff accountable for purchasing decisions made.

- 1. We recommend that the Board of Education of Saskatoon School Division No. 13 approve a written delegation of authorities policy that sets out the authority for all positions involved in the procurement of goods and services.**

Also, Saskatoon Public has a policy requiring a cyclical review of all its policies (as mentioned earlier, it refers to these as "administrative procedures"); the Board can also

<sup>4</sup> Purchasing Services makes small dollar standard goods (e.g., office supplies) available for purchase by division staff through the On-Line Catalogue and Ordering System.



initiate a review of a policy at any time. It requires a team of senior management (called the Executive Council and Administrative Council)<sup>5</sup> to review one section of the Manual each year and provide any changes to the Board for its information. The Board has given these councils the authority to approve Saskatoon Public's policies.

The Board's approval of key organizational policies is essential, as policies set out the Board's expectations for the operations of the organization. Inappropriately designed and approved procurement policies can present significant financial, legal, and reputational risks to the school division.

**2. We recommend that the Board of Education of Saskatoon School Division No. 13 approve the division's key policies including those related to the procurement of goods and services.**

*We also expected Saskatoon Public to align its policies with externally-imposed requirements. Externally-imposed requirements vary, and are usually imposed by a funder (e.g., government). There are two significant externally-imposed requirements that are relevant to Saskatoon Public – the Agreement on Internal Trade (AIT)<sup>6</sup> and the New West Partnership Trade Agreement (NWPTA).<sup>7</sup> The requirements of the NWPTA differ slightly from those within the AIT. For example, NWPTA requires purchases exceeding \$75,000 be publicly tendered through an electronic tendering system (e.g., the Government's tendering system – SaskTenders) and the AIT has a similar requirement for purchases exceeding \$100,000.*

We found that Saskatoon Public's purchasing policy appropriately incorporates the requirements of the AIT. While Purchasing Services is aware of the NWPTA requirements and strives to adhere to them, the purchasing policy does not incorporate the requirements of the NWPTA. If the purchasing policy does not address all externally-imposed requirements, there is increased risk of Saskatoon Public not complying with these requirements.

**3. We recommend that Saskatoon School Division No. 13 update its purchasing policies to align with significant externally-imposed requirements.**

<sup>5</sup> Membership of the Executive Council consists of the Director of Education, Deputy Director of Education and the Chief Financial Officer. The Administrative Council consists of Executive Council members, all Superintendents and the Chief Technology Officer.

<sup>6</sup> The Agreement on Internal Trade is an intergovernmental agreement between the federal government and the provinces and territories to reduce and eliminate barriers to free movement of people, goods, services and investments within Canada.

<sup>7</sup> The New West Partnership Trade Agreement is an accord between the governments of British Columbia, Alberta, and Saskatchewan that creates Canada's largest, barrier-free, interprovincial market.



## 4.1.2 Policies for Monitoring and Reporting on Compliance Needed

*We expected the following. Saskatoon Public would document its processes for detecting and addressing non-compliance with policy, and include reporting requirements to keep senior management and the Board informed of significant issues. Its policies would establish processes for identifying and reporting to senior management and the Board other significant performance issues in the procurement process. Reporting would include information on key risks related to the various types of purchasing methods (e.g., tendering, purchasing cards, single- or sole-source).*

Saskatoon Public has established clear processes to identify non-compliance with established policies. For example, Purchasing Services staff review all purchasing card transactions and review system exception reports (e.g., split transactions report)<sup>8</sup> to assess compliance with policy. They follow up with the cardholders on identified potential non-compliance and can suspend purchasing cards for non-compliance.

Saskatoon Public has not documented its process for addressing identified non-compliance with its purchasing policies, including when to report these issues to senior management and the Board.

Also, management is aware that it is possible for staff to purchase items even when their purchasing card has been suspended by submitting purchase receipts through the expense reimbursement process. Management is not formally monitoring to assess the frequency of circumvention of policy to determine if any incidents exist.

A well-defined process would provide management and staff with guidance regarding the steps they should take to address non-compliance, including informing the appropriate individuals, stopping or reducing the non-compliant activity, taking necessary disciplinary action, and preventing future non-compliance.

4. We recommend that the Board of Education of Saskatoon School Division No. 13 implement policies and procedures to identify and address non-compliance with purchasing policies, including reporting requirements.

## 4.2 Defining the Need and Specifications for Required Goods and Services

### 4.2.1 Improved Communication Needed with Those Requesting Goods or Services

*We expected Saskatoon Public to define, in writing, the need, specifications, and relevant requirements for goods and services, and to use specifications supporting its policies.*

<sup>8</sup> The split transactions report identifies purchasing card transactions of the same dollar value, on the same date, and to the same vendor. The report identifies the potential splitting of purchases to exceed the programmed transaction limits.





Staff throughout the school division are responsible for identifying the goods and services required and ensuring that sufficient funds to make these purchases are available in the approved budget. As previously noted, individual staff have authority to make purchases less than \$1,000 (i.e., through use of purchasing cards or the On-Line Catalogue and Ordering System) without the involvement of Purchasing Services.

For purchases exceeding \$1,000, staff submit approved purchase requisitions to Purchasing Services to initiate the purchase process. These purchases may involve obtaining informal or formal quotations, or conducting a formal tender. For these purchases, Purchasing Services collaborates with staff requesting goods or services to define the necessary specifications.

For items purchased through Purchasing Services that we examined, we found:

- ▶ In all cases, the purchase specifications were sufficiently detailed and included relevant requirements to allow vendors to bid or provide quotes for the tenders (e.g., warranty, delivery, installation, etc.).
- ▶ In 17 out of 21 instances, Purchasing Services did not consistently obtain written documentation of approval from appropriate authorities prior to initiating the purchases. It needs this information to verify the specifications of the required goods or services included within requests for tenders or quotes. Purchasing Services typically discusses the requirements for tenders or quotes verbally with the requesting department prior to initiating the purchases. Without documented approval of the request for tender or quote, there is increased risk of the request not being consistent with the expectations of the individual requesting the purchase.

In **Section 4.1.1**, we recommend the Board approve a clear and complete delegation of authority policy. Such a policy would define the approvals necessary before Purchasing Services initiates the purchase of goods or services. Without having the details of a request for tender or quote approved by an appropriate authority prior to initiating the purchase, Saskatoon Public is at risk of providing vendors with incomplete or inaccurate information concerning the required goods or services it needs. Providing vendors with incomplete or inaccurate information increases the risk of process inefficiencies and of Saskatoon Public purchasing goods and services that do not adequately meet its needs.

## 4.3 Obtaining Quotations Fairly

### 4.3.1 Feasible Sources of Supply Identified

*We expected Saskatoon Public to identify feasible sources of supply to meet its identified needs in a way that is fair and transparent.*

As previously noted, Saskatoon Public's procurement policies require use of open competition for purchases over \$5,000 and allows the use of purchasing cards for purchases less than \$1,000.

For the items purchased through tender that we tested, we found:

- 2 In all cases, Purchasing Services communicated tenders to potential vendors. As a result, Saskatoon Public received multiple vendors bidding on each tender, which indicates feasible sources of supply.
- 2 In one case, a purchase exceeding \$75,000 was not tendered through an electronic tendering system (e.g., SaskTenders) when it should have been. As described in **Section 4.1.1**, the NWPTA requires purchases exceeding \$75,000 to be publicly tendered through an electronic tendering system and we recommend that Saskatoon Public update its purchasing policies to align with significant externally-imposed requirements (e.g., NWPTA). All other purchases exceeding \$75,000, that we tested, were publicly tendered through an electronic tendering system.

*We also expected Saskatoon Public to establish authorization and documentation controls around the use of purchasing cards.*

Saskatoon Public has established several processes to manage the use of purchasing cards. Purchasing Services only provides purchasing cards to staff upon receipt of an application form signed by the cardholder and the cardholder's direct supervisor. At the same time, it requires a signed cardholder agreement that details key responsibilities and guidelines. Cardholders reconcile monthly purchasing card statements with the original receipts, with the statement subject to review and approval by the cardholders' direct supervisor.

#### **4.3.2 Appropriate Authorization to Initiate Purchase (e.g., tenders) Not Documented**

*We expected Saskatoon Public to have processes to ensure those initiating purchases obtain authorization consistent with approved policies.*

As noted in **Section 4.1.1**, Saskatoon Public's delegation for making purchases is not formalized or complete. Saskatoon Public cannot demonstrate appropriate authorization of purchases.

In **Section 4.2.1**, we describe concerns with Purchasing Services not consistently obtaining approval from appropriate authorities prior to initiating the purchases externally.

#### **4.3.3 Guidance for Setting Tender Response Time Needed**

*We expected Saskatoon Public to establish policies addressing fair and equal treatment of potential suppliers in tender award evaluation. This would involve ensuring that all vendors receive the same information on which to base their responses to the tender. We also expected Saskatoon Public to establish a standard tendering time (e.g., suggested minimum time) to allow potential suppliers sufficient time to respond to the tender request.*

Saskatoon Public's purchasing policy adequately addresses the concepts of fair and equal treatment of potential suppliers through the adoption of the principles of open competition, transparency, and non-discrimination.



As previously noted, Purchasing Services staff manage all tenders and quotations, including communications with suppliers. It uses processes to ensure all potential suppliers receive the same information regarding tenders (e.g., tender documents, answers to questions asked by suppliers). While the policy does not set out the standard tendering time to allow for responses to tenders, Purchasing Services indicated it generally allows a two-week response period.

For the tendered items we tested, 11 out of 21 instances had a response period that was less than a two-week time period. In all of these instances, Saskatoon Public had received several bids from potential vendors. This suggests vendors had sufficient time to respond to the requests.

Regardless, documentation of a standard tendering time, along with a process to address exceptions to the standard, will clarify the process and ensure consistent treatment of all suppliers.

**5. We recommend that Saskatoon School Division No. 13 establish guidance for tendering times for receiving bids from potential suppliers.**

*To facilitate the fair and equal treatment of vendors, we also expected the following. Saskatoon Public to permit single- or sole-sourcing only in circumstances where tendering is not feasible. When single or sole sourcing, it would require documentation of the justification for this decision and approval prior to initiating the purchase. This justification could be in a policy for certain types of recurring expenses (e.g., utilities, legal services).*

Saskatoon Public's purchasing policy permits single- or sole-source purchasing where no competitive supply market exists, or when the CFO or Manager of Purchasing Services considers it to be in the division's best interests.

We found that Saskatoon Public rarely uses single- or sole-sourcing when purchasing goods and services. For two single- or sole-sourcing purchases we tested, both clearly documented the justification for using this procurement method and were properly approved.

## **4.4 Selecting Suppliers for Required Goods and Services**

### **4.4.1 Documented Evaluation of Supplier Proposals Needed**

*We expected Saskatoon Public to use established evaluation criteria to evaluate potential suppliers for best value.*

When developing requests for tender, Saskatoon Public develops evaluation criteria where necessary to do so. Because of the nature of the purchase, selection of the supplier for several of the items purchased through tender that we tested was based solely on the lowest bid and as such did not require the establishment of other detailed evaluation criteria (e.g., purchase was of a specific make or model of equipment).



For those items purchased through tender that we tested with detailed evaluation criteria, we found that in 3 out of 7 instances, Purchasing Services did not maintain documentation of the evaluation. Therefore, we were unable to verify the use of evaluation criteria and the appropriate selection of suppliers in these instances.

Without documenting the evaluation of potential suppliers against the established tender criteria, the division may not be able to adequately justify to others the awarding of the tender to the selected supplier.

- 6. We recommend that Saskatoon School Division No. 13 document its analysis and decisions for the awarding of all tenders and retain this documentation in accordance with its document retention policies.**

#### 4.4.2 Approval for Vendor Selection Not Appropriate

*We expected Saskatoon Public to establish a process to obtain appropriate approval from the requesting department for the supplier selected prior to communicating with the suppliers.*

As noted in **Section 4.1.1**, the purchasing policy does not clearly set out the purchasing authority for all levels of staff who make purchases. However, before Purchasing Services awards the selection of a supplier, it confirms with the head of the requesting department or the individual responsible for the budget (e.g., director, principal) that the goods or services will meet their needs.

For the purchases we tested, we found:

- 1 3 out of 21 instances where Purchasing Services did not confirm with the head of the requesting department or the individual responsible for the budget that the goods or services would meet their needs.
- 1 2 out of 21 instances where the documentation for approval of vendor selection was not maintained.
- 1 4 out of 21 instances where communication of tender decisions to the vendors was not maintained (i.e., communication was done verbally). Therefore, we were unable to verify receipt of approval of vendor selection prior to communication with the vendors.

If selected vendors are not appropriately approved or approvals are not adequately documented, Saskatoon Public cannot demonstrate it selected the appropriate vendor which may result in reputational risk and vendor complaints.





- 7. We recommend that Saskatoon School Division No. 13 require appropriate written approval be obtained for the selection of suppliers before communicating purchasing decisions with suppliers.**

#### **4.4.3 Process for Contractual Agreements Needed**

*We expected the following. Saskatoon Public to set minimum requirements for when a written contract is expected and minimum provisions that must be included in such agreements (e.g., use a standard contract template). The contracts should outline the obligations of each party to the contract and reflect the identified needs of Saskatoon Public.*

Saskatoon Public assesses the need for a contract on a case-by-case basis. It does not have written guidance to guide this assessment. Once it decides to use a contract, its procedures require that the contract be subject to review by the school division's legal counsel. It does not have or use a standard purchasing contract template to guide the standard content of contracts.

For the items purchased through tender that we tested, we found that Saskatoon Public tends to use purchase orders with successful vendors rather than using additional or separate contracts. For most tenders we reviewed, this treatment was appropriate given the nature of the goods purchased (e.g., to supply reeds for musical instruments).

However, we found four instances where purchases were executed based only on the vendors' responses to the tenders – there was no purchase order or contract that would outline the obligations of each party. We also found one instance where a contract was completed but had not been subject to review by legal counsel.

Establishment of a formal process for establishing contracts for the procurement of goods and services (e.g., when they are necessary, process to assess adequacy, etc.) would provide certainty and protection for the school division (e.g., termination, privacy, confidentiality, severability).

- 8. We recommend that Saskatoon School Division No. 13 establish minimum contract documentation requirements for the procurement of goods and services.**

### **4.5 Managing Vendors**

#### **4.5.1 Vendor Approval Process Needs to be Followed**

*We expected Saskatoon Public to have a process to verify the validity (i.e., existence, ownership) of vendors, approve vendors, and sufficiently restrict access to create or edit vendors within the electronic financial system.*

To be paid, vendors must be an approved vendor and included in Saskatoon Public's electronic financial system. Saskatoon Public requires all new vendors to complete a

vendor application form. Upon receipt of a vendor application form, Purchasing Services staff review the form and complete a vendor due-diligence checklist. Using this checklist, it assesses the validity of the vendor (e.g., searching for a vendor website, observing the vendor's office, searching the phone book). Based on the results of due diligence, Purchasing Services approves the vendor and adds it to Saskatoon Public's electronic financial system.

For the vendors we tested, we found 5 out of 10 did not have completed vendor application forms, and for 7 out of 10, the vendor due-diligence checklist was not completed. If established procedures concerning the review of new vendors are not adhered to, there is increased risk that inappropriate vendors may be authorized and created within the electronic financial system. Use of inappropriate vendors increases the risk of making fraudulent payments.

- 9. We recommend that Saskatoon School Division No. 13 follow its established procedures for assessing the validity (e.g., existence, ownership) of suppliers.**

*We expected the ability to create, edit, and remove vendors from the financial system to be separate from the ability to initiate, approve, or record purchases and payables.*

When we examined a user access report that detailed all system users, their respective roles and access to the financial system, we found 16 users who work outside of Purchasing Services (e.g., Finance) that had access to make changes to the vendors within the financial system (e.g., create, edit etc.).

While Saskatoon Public's established procedures require Purchasing Services staff to make changes to vendors within the financial system, providing others with access to make changes does not adequately separate incompatible duties (i.e., staff with the ability to approve or enter payments into the financial system can also add vendors). When incompatible duties are not appropriately segregated, the risk of fraud is increased.

- 10. We recommend that Saskatoon School Division No. 13 periodically assess the appropriateness of user access to make changes to the suppliers within the financial system (e.g., create, edit).**

#### **4.5.2 Goods and Services Received Not Appropriately Documented**

*We expected Saskatoon Public to ensure goods and services were received as required by contract before processing a payment to the vendor (i.e., evidence of receipt of goods or services was documented).*

Purchasing Services prepares purchase orders based on approved purchase requisitions from requesting departments. It expects the requesting departments to document when they receive the goods or services directly on the invoices (i.e.,



signature). The division's Finance Branch compares the invoice to the purchase order or contract prior to payment to ensure payment corresponds with the approved request for goods or services. Purchasing Services investigates any discrepancies in pricing or details before the Finance Branch processes the payment.

For invoices we tested, we found that:

- ▶ In all but one case, school division staff documented the receipt of goods or services; however, in three cases, the same individual received and approved the purchase.
- ▶ Saskatoon Public paid all the invoices within a reasonable time period (i.e., in accordance with supplier payment terms).

The one exception where school division staff did not document the receipt of goods related to the purchase of office supplies under a large contract. Under this contract, Saskatoon Public paid this vendor about \$0.3 million during our audit period. Management explained that it does not require documentation of receipt of goods or services for any of the invoices with this vendor because of the large volume of orders.

Office supplies are easily susceptible to theft. As with all purchases, someone independent from the initiation and approval of the purchase should confirm and document receipt of the goods. Not documenting receipt of goods increases the risk of Saskatoon Public paying for goods it may not need or receive.

The exceptions where the same individual documented receipt and approval of the purchase shows incompatible duties are not always separated (i.e., the ability to initiate, receive, approve, and record purchases and payables). Not requiring separate individuals to document receipt and approval of purchases increases the risk of fraudulent activities (e.g., purchasing goods that do not have a business purpose or are for personal use).

**11. We recommend that Saskatoon School Division No. 13 establish processes to appropriately document receipt of goods and services.**

### 4.5.3 Taking Action and Reporting on Vendor Performance Problems

*We expected Saskatoon Public to track the performance of vendors, which would be used to inform future purchasing decisions. We also expected Saskatoon Public to establish a process to take internal action on identified vendor performance problems, and to define reporting requirements for vendor performance.*

Purchasing Services staff deal directly with vendors to address performance issues that staff throughout the division identify and bring to its attention.

We found that school division staff inform Purchasing Services about problems with vendor performance, as expected. For information related to vendor performance issues we tested, we found Purchasing Services addressed the issues in a timely manner (e.g.,

issue followed up and escalated as necessary with the vendor) and maintained documentation to support follow up of the issues.

Saskatoon Public's policies do not require formal reporting to senior management or the Board about the performance of vendors. We found that it does not do so.

In **Section 4.1.2**, we recommend that Saskatoon Public implement policies and procedures including reporting requirements to identify and address non-compliance with purchasing policies. This should include requiring performance reporting for vendors. Such information will keep the Board and senior management better informed about procurement issues that arise.

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## Chapter 39

### South East Cornerstone School Division No. 209— Processes to Promote Positive Student Behaviour

#### 1.0 MAIN POINTS

*The Education Act, 1995 (Act)* assigns responsibility for administration and management of schools to boards of education (school boards). The Act sets out expectations regarding student attendance and behaviours. The Act also sets out school board powers relating to student discipline.

This chapter sets out the results of our audit of the effectiveness of processes for promoting positive student behaviour at school for the period of February 1, 2013 to August 31, 2014 at South East Cornerstone School Division No. 209 (South East Cornerstone). We did this audit because of the importance of positive student behaviour on students' success at school and the strong negative impact of poor behaviour. Promoting positive student behaviour and addressing problem behaviour is of key importance in encouraging student success and providing a safe learning environment. These relate to goals of the education sector and the Government.

We concluded that South East Cornerstone School Division No. 209 had effective processes for promoting positive student behaviour at school except for the following.

We found that while the Board of South East Cornerstone had set policies related to promoting and supporting positive student behaviour, in a number of areas, staff did not follow them. We also found incomplete documentation in student files of decisions and steps taken to support positive student behaviour, and an absence of an implemented escalation process to guide those decisions and steps. We further found that South East Cornerstone needs to set expectations for training staff on student behaviour initiatives, and keep records of who received such training for ready access at schools.

#### 2.0 INTRODUCTION

Student behaviour influences the extent and quality of education received by students. The success of students can have a significant impact on our society and economy.

A positive school environment is a key factor that contributes to student success.<sup>1</sup> Positive student behaviour helps contribute to a safe, inclusive, and accepting school environment that improves a child's ability to learn. Poor behaviour can result in students leaving school before graduating from Grade 12 or not achieving high enough marks to assist them in furthering their education or finding employment.<sup>2</sup> This increases the risk to society and the burden on social programs. Increasing student performance and achievement, and reducing absenteeism are important goals for school divisions and the Ministry of Education (Ministry).<sup>3</sup>

<sup>1</sup> [www.edu.gov.on.ca/eng/parents/safeschools.html](http://www.edu.gov.on.ca/eng/parents/safeschools.html) (9 December 2013).

<sup>2</sup> Auditor General of British Columbia, *Fostering a Safe Learning Environment: How the British Columbia Public School System is Doing*, (2001), p. 19.

<sup>3</sup> Ministry of Education, *Plan for 2013-14*, p. 3.

Addressing student bullying and cyberbullying is also a key goal for the education sector. The Ministry has released its strategy for addressing bullying and cyberbullying, *Saskatchewan's Action Plan to Address Bullying and Cyberbullying*.<sup>4</sup> In the Ministry's web resource for educators, the Ministry describes that:

*Education in Saskatchewan is a shared responsibility between the provincial government and locally-elected boards of education. The Ministry is taking action to provide a comprehensive approach to bullying that includes...working collaboratively to build school division capacity regarding the prevention of bullying and harassment incidents as well as other problem behaviours.*<sup>5</sup>

Promoting positive student behaviour and addressing problem behaviour are vitally important in encouraging student success and providing a safe and productive learning environment. Effective implementation of initiatives to promote positive student behaviour can limit circumstances where disciplinary measures are necessary.

This chapter sets out the results of our audit of South East Cornerstone's processes for promoting positive student behaviour at school.

## 2.1 Legislated Responsibilities for Student Behaviour

Section 85(1) of *The Education Act, 1995* (Act) assigns boards of education (school boards) responsibility for administration and management of schools, with oversight from the Ministry. The Act makes school boards responsible for exercising general supervision and control over the schools in the school division. In addition, subject to other provisions of the Act, school boards approve administrative procedures pertaining to the internal organization, management, and supervision of schools. The Act:

- 1 Establishes the duties and accountability of students, including regular attendance, observing standards set by the school board, conforming to school rules (that are approved by the school board) and respecting discipline that is exercised by the school (sections 150 and 151). Students are accountable to teachers and principals for their conduct when at school or while engaged in school activities (e.g., extracurricular activities).
- 2 Addresses student discipline (sections 152 to 155). All students are subject to the general discipline of the school. School boards have specific disciplinary responsibility for both investigation and treatment of problems arising between a student and the school.
- 3 Establishes powers for principals and school boards regarding the suspension and expulsion of students (sections 154 and 155).
- 4 Sets out processes to follow when addressing behaviour of students assessed as having intensive needs (section 178).<sup>6</sup>
- 5 Sets out expectations regarding student attendance (sections 156 to 161). Regular school attendance is required for all students of compulsory age (i.e., between the

<sup>4</sup> [www.education.gov.sk.ca/anti-bullying](http://www.education.gov.sk.ca/anti-bullying) (24 March 2014).

<sup>5</sup> [www.education.gov.sk.ca/Anti-Bullying/Educators](http://www.education.gov.sk.ca/Anti-Bullying/Educators) (25 March 2014).

<sup>6</sup> Section 178 of the Act defines a student with intensive needs as a student assessed by the board of education as having a capacity to learn that is compromised by a cognitive, social-emotional, behavioural or physical condition.

ages of 6 and 16 years), with certain permitted exceptions (e.g., illness, travelling, etc.).

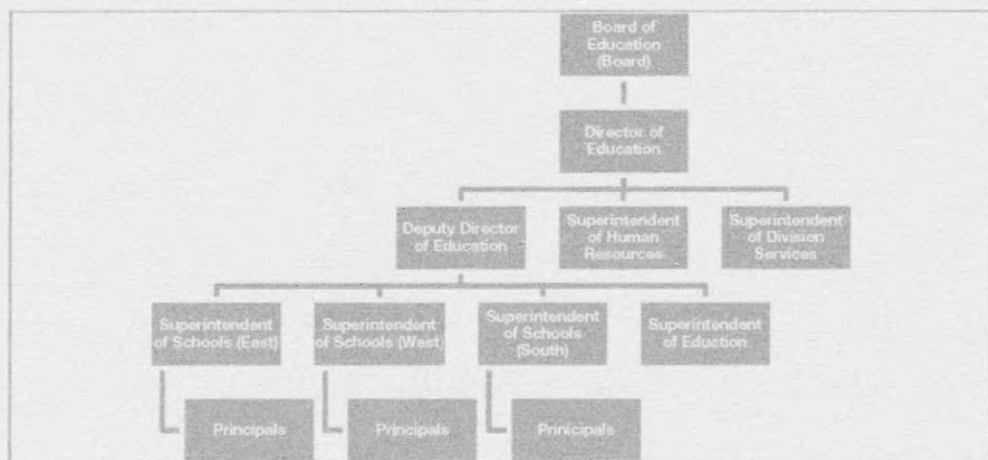
Requires school boards to appoint a local attendance counselor who is responsible for monitoring compliance with the attendance provisions in the Act and for implementation of the school board's bylaws (e.g., conducting investigations concerning attendance problems, providing reports to principals and parents concerning investigations, etc.) (section 160).

## 2.2 Background

South East Cornerstone is governed by an elected Board of Education (Board). South East Cornerstone has 39 schools – 14 elementary schools, three high schools, and 22 Kindergarten to Grade 12 (K-12) schools.<sup>7</sup> There are almost an equal number of urban and rural schools. In 2014, the Division reported overall enrolment of approximately 8,200 students and employment of about 1,250 staff.<sup>8</sup> The Division has seen an increase in enrolment of about 3% since 2008.

South East Cornerstone's Director of Education is the most senior management role and reports to the Board. Up to July 31, 2014, South East Cornerstone had six superintendents who report to the Director of Education, including three who oversee schools within their respective areas. Effective August 1, 2014, a new Deputy Director position was created (see Figure 1).

Figure 1—Organization Chart for South East Cornerstone School Division No. 209



Source: Adapted from South East Cornerstone School Division No. 209 as of August 1, 2014.

<sup>7</sup> School types are defined by the Ministry of Education as follows: elementary schools are schools offering grades K-8 inclusive; high schools are schools offering grades 9-12 inclusive; the remainder are classified as K-12. The classification of K-12 does not necessarily mean that all of these grades are in these schools – for example, McNaughton High School in Moosomin is classified as K-12 because its grades range from grades 6-12.

<sup>8</sup> [www.cornerstonesd.ca/DivisionInformation/Pages/default.aspx](http://www.cornerstonesd.ca/DivisionInformation/Pages/default.aspx) (6 October 2014).





### 3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether, for the period of February 1, 2013 to August 31, 2014, South East Cornerstone School Division No. 209 had effective processes for promoting positive student behaviour at school. Positive student behaviour means behaviour that is consistent with the educational goals of attending school and demonstrates respect, responsibility, and readiness to learn.<sup>9</sup> “At school” includes school-sanctioned activities (e.g., school sports or trips).

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. We examined South East Cornerstone’s policies related to student behaviour. We met with Division and school administration<sup>10</sup> and staff to discuss their processes for promoting positive student behaviour at school. We examined central records in South East Cornerstone as well as records at a sample of schools within the Division to check whether South East Cornerstone was adhering to its policies surrounding student behaviour and using initiatives for promoting positive student behaviour. We visited six schools within South East Cornerstone.

To evaluate South East Cornerstone’s processes, we used criteria based on the work of other auditors and current literature listed in the selected references. Management of South East Cornerstone agreed with the criteria (see **Figure 2**).

**Figure 2—Audit Criteria**

To have effective processes for promoting positive student behaviour at school, South East Cornerstone should:

- 1. Establish requirements for acceptable student behaviour**
  - 1.1 Set requirements for acceptable student behaviour (e.g., code of conduct, policies for attendance and discipline)
  - 1.2 Align requirements with legislation
  - 1.3 Communicate requirements to school administrators, teachers, students, parents, and stakeholders
- 2. Use key initiatives to promote positive student behaviour**
  - 2.1 Identify initiatives that promote positive behaviour
  - 2.2 Provide training for promoting positive student behaviour to school administrators, teachers, parents, and stakeholders
  - 2.3 Implement initiatives
  - 2.4 Monitor performance (e.g., overall behaviour, impact of initiatives)
- 3. Address disruptive behaviour**
  - 3.1 Identify problem behaviour
  - 3.2 Take action to address identified problems
  - 3.3 Monitor effectiveness of the actions taken

We concluded that, for the period of February 1, 2013 to August 31, 2014, South East Cornerstone School Division No. 209 had effective processes for promoting positive student behaviour at school except for the following. We found that while the Board of South East Cornerstone had set policies related to promoting and supporting positive student behaviour, in a number of areas staff did not follow those policies. We also found incomplete documentation in student files of decisions and steps taken to support positive student behaviour and an absence of an implemented escalation process to guide those decisions and steps. We further found that South East Cornerstone needs to set expectations for training staff on

<sup>9</sup> Definition adapted from resources listed in the selected references.

<sup>10</sup> School administration includes principals and vice-principals.

student behaviour initiatives, and keep records of who received such training for ready access at schools.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out the criteria (expectations) and our key findings along with related recommendations.

### 4.1 Establishing Requirements for Acceptable Student Behaviour

#### 4.1.1 School Expectations for Student Behaviour Not Consistent

*We expected that South East Cornerstone would have processes for setting expectations for student behaviour that are in line with both legislation and its policies. It would have documented policies and procedures and provide guidance to schools regarding the communication of consistent behavioural expectations. South East Cornerstone would ensure that schools are communicating expectations in a consistent manner. Each school would communicate the expectations for student behaviour to students, staff, and parents.*

South East Cornerstone has established requirements for acceptable student behaviour within its administrative procedures (policies) (e.g., Student Conduct, Student Discipline, Safe School Environment). The Division's policies regarding student behaviour, discipline, and attendance align with the relevant requirements included in *The Education Act, 1995*. South East Cornerstone posts its administrative procedures addressing student behaviour on its website.

We examined presentations from principal meetings, staff meetings, student assemblies, and school websites of the six schools we visited. We found that schools communicated current expectations through staff meetings, handbook distribution to students, and assemblies.

In addition, each school used its own dedicated web presence for communicating policies, for example to students and parents. While the web pages of some schools included current versions of policies, the web pages of other schools were out of date or did not include any related information.

It is reasonable to expect that many parents will seek to use a school website to obtain information pertaining to their children's education. It is important to provide consistent, current information on school expectations for positive student behaviour to parents and students.

South East Cornerstone policy also requires each of its schools to develop their own Safe School Charter (charter) and use this charter as a way to further communicate expectations of student behaviour. South East Cornerstone specifies required elements for the charters, including elements relevant to student behaviour, such as:



- › Means for assessing the school behavioural climate
- › Strategies to strengthen the school behavioural climate
- › A code of conduct
- › Discipline procedures
- › Provisions for bullying and harassment, dangerous weapons, and illegal substances
- › Provisions for student leadership

We found that South East Cornerstone did not have processes to determine whether each school had developed a charter as it expected. We further found that none of the six schools we examined had developed a complete charter as expected, either within a single document or within multiple documents. We found that elements included in various documents at each of these schools varied and contained only some of the elements specified by South East Cornerstone (e.g., missing provisions for dangerous weapons, student leadership).

As a result, expectations for student behaviour between schools were not consistent and key behavioural expectations or responses at schools were missing. This may result in staff, students, and parents not having a complete understanding of behavioural expectations at schools.

1. **We recommend that South East Cornerstone School Division No. 209 check that its schools follow established policy requiring each school to develop a charter and communicate expectations for student behaviour.**

The Division indicated that it had delayed its work with schools on completing safe school charters pending the release of *Saskatchewan's Action Plan to Address Bullying and Cyberbullying*. This report was published in November 2013 and an online bullying reporting tool was completed and made available to school divisions in June 2014.

## **4.2 Use Key Initiatives to Promote Positive Student Behaviour**

### **4.2.1 Initiatives Identified and Implemented**

*We expected South East Cornerstone to have processes to identify initiatives that promote and support positive student behaviour. We also expected initiatives to be implemented at schools in accordance with Division guidance.*

South East Cornerstone works to implement student behaviour initiatives identified by the Ministry, the Division, and schools:

- › Ministry initiatives help support the measurement of overall Ministry goals.



- School division-identified initiatives focus primarily on responding to problem behaviour rather than proactively promoting positive student behaviour. South East Cornerstone has identified core initiatives that are to be implemented at all of its schools (see **Figure 3**).
- School-identified initiatives respond to problem behaviour and promote positive student behaviour. They also tend to respond to the unique needs of the individual school (such as providing rewards for students exhibiting desired behaviour).

**Figure 3—Behaviour Initiatives, Resources, and Activities**

**Violent Threat and Risk Assessment (VTRA)** identifies behaviour and responses where there is a threat or risk of injury to the student or those around them. The form for this assessment also collects data on the details of incidents and records information on future risk and courses of action.

**Quality Behavioural Support (QBS)** is a methodology for supporting students with intensive needs.

**Community Mobilization Hub (HUB)** is an inter-agency (e.g., police, Social Services, Health) team that is designed to provide supports to students and their families with elevated risks.

**Complex Needs Protocol** is an inter-agency process to provide supports to students with complex needs and their families.

**Sensory Room** is a therapeutic space specifically designed and used to promote self-organization and positive change (e.g., promotes self-care and recovery).

**Review 360** is a behavioural monitoring system currently being implemented by the Division.

**Student Services Counselor (counselor)** is an individual tasked with providing strength-based and solution-focused counselling services to children, youth, and families in order to help them maximize the benefits of their school experience. Counselors work with schools, parents and other agencies to ensure that appropriate emotional/behavioural/safety plans are in place to meet student needs, so that students function effectively and achieve their full potential.

**Behavioural Intervention Plan (BIP)** is a formal document developed and implemented by a collaborative team (that includes but is not limited to parents, student and school staff) for students who demonstrate behaviours that interfere significantly with their own or others' learning. The Student Services Counselor takes a lead in the implementation of interventions. The BIP documents an eight step plan that identifies team members, problem behaviours, and next steps, which include data gathering regarding baseline behaviour, root cause analysis of behaviour, and listing of desired outcomes. The plan also sets out evaluation and monitoring timelines.

**Classroom Intervention Plan (CIP)** is a written document developed and implemented by a collaborative team including, but not limited to, parents, students, and school staff. It is a selection of student outcomes that have the highest priority for the student during the year. It is reviewed at meetings regularly throughout the year.

**Collaborative Team Plan (CTP)** is an individual student, or classroom or school-wide plan that is developed and implemented collaboratively by the school and/or Division teams.

**Response to Intervention (Rti)** is a three-tiered model of response to student learning needs. The primary focus of Rti is early intervention and prevention.

1. **Tier One (Green):** universal interventions that are successful with 80% of student population such as differentiated instruction and positive learning environments.
2. **Tier Two (Yellow):** targeted interventions and progress monitoring such as adaptations, assistive technology, and student support teams planned for up to 15% of student population.
3. **Tier Three (Red):** small population of 5% who will require more intensive interventions and supports (does not always indicate intensive needs).

**School Level Intervention Process (SLIP)** is a system-wide referral and intervention process that requires regular input from teachers, parents, and administrators. It guides decision making and escalation related to the level and intensity of interventions and supports that students may require.

**Student Support Team (SST)** is responsible for clarifying current priorities, establishing outcomes and indicators, assessment and supports. The team consists of the parent, student, classroom teacher, and learning support teacher. Other members may include counselors and administrators.

Source: Adapted from information provided by South East Cornerstone.

For larger, more complex division-identified initiatives (e.g., Review 360), South East Cornerstone had more extensive and formal implementation plans. For smaller or less-





complicated initiatives (e.g., sensory rooms), South East Cornerstone provided schools with implementation guidance through meetings between superintendents and school administrators.

South East Cornerstone had fully implemented division-identified initiatives in all of its schools with the exception of one school that had not implemented a sensory room. South East Cornerstone participates in the Community Mobilization Hub (an inter-agency committee), but at the time of our audit only within the corridor between Estevan and Weyburn. It is implementing Review 360 and plans to have it fully functioning for all schools in the 2014-15 school year.

South East Cornerstone allows each school principal to implement school-identified initiatives within their school, requiring principals to discuss with and advise the Division on these initiatives through the related superintendent.

#### 4.2.2 Clarification of Training Requirements Needed

*We expected South East Cornerstone to provide training for school staff to be able to both promote positive behaviour and respond to incidents as they occur in schools. We expected the division to centrally maintain training records. We also expected schools to formally identify behavioural expertise within their school.*

South East Cornerstone centrally coordinates training on core behavioural initiatives<sup>11</sup> that require training such as Violent Threat Self-Assessment (VTRA) and Quality Behavioural Supports (QBS). The Division communicates with principals to recruit individuals to attend core training when training is available. Some of the principals of the schools we visited expressed the need for more training for staff in core initiatives in order to provide sufficient support.

South East Cornerstone did not set a minimum number of staff who must be trained within each school or provide principals with guidance to help them determine how many staff in their school should be trained on core behavioural initiatives (trained staff). This number may vary depending on the number of students requiring supports and the extent of behavioural incidents. If there are not a sufficient number of trained staff members available at each school, there is a greater risk that skills required to respond to high-risk<sup>12</sup> situations and implement supports for students may not be available.

- 2. We recommend that South East Cornerstone School Division No. 209 set training expectations for initiatives to promote and support positive student behaviour (e.g., number of staff in each school required to be trained or guidance to assist in determining the appropriate number of staff to train).**

Also, we found the Division did not keep up-to-date training records indicating which staff had received training on core behavioural initiatives. Staff at schools indicated that up-to-date listings of who had received training in behaviour initiatives would be useful when making decisions about future training and identifying those qualified to assist in

<sup>11</sup> Ministry and school division-identified initiatives.

<sup>12</sup> "High-risk" refers to situations where student and staff safety is a risk (e.g., fights, weapons).

interventions. Not having such information available increases the risk that staff may not know who to call for assistance when a high-risk behavioural situation arises.

3. **We recommend that South East Cornerstone School Division No. 209 maintain records listing staff trained in initiatives to promote and support positive student behaviour and make such records readily available at schools.**

#### 4.2.3 Monitoring of Performance of Behaviour Initiatives Needed

*We expected South East Cornerstone to have processes to monitor the performance of key initiatives (i.e., those from the Ministry, the Division and individual schools).*

South East Cornerstone has a policy that expects the Director of Education to develop measures and monitor progress relative to providing a safe and caring environment. The Division has identified attendance as a measure of student engagement and behaviour. It monitors attendance through a Division-wide system. We found it had not identified measures for other behavioural issues (e.g., disrespect to staff, fighting, use of illegal drugs, disobedience).

Use of measures (as expected in the policy) and targets would allow the Division to assess the performance of behavioural initiatives and progress in improving school culture and environment (e.g., reduce incidents by X%; increase attendance by X%).

4. **We recommend that South East Cornerstone School Division No. 209's Director of Education follow established policy that requires development of measures for assessing the performance of initiatives used to promote and support positive student behaviour.**

Since 2013, South East Cornerstone uses a Ministry-mandated survey called "Tell Them From Me" (TTFM) to collect the views of students to provide insight into school culture and environment (e.g., feeling safe at school, engagement, involvement in sports and sense of belonging). TTFM surveys are conducted annually with students from grades 4 to 12.

In our visits of the six schools, all school administrators indicated they had considered survey results. Also, we noted bulletin boards in most of those schools that shared with students the results of the TTFM survey and the school's planned actions in response to those results.

South East Cornerstone's plans outline that each school, in conjunction with the School Community Council (SCC), is required to develop an action plan based on the results of the survey.<sup>13</sup> However, for the six schools we examined, we found only one school had

<sup>13</sup> School Community Councils are required for each school according to section 140.1 of the Act. According to the Division's policy, the purpose of the Council is to promote effective communication among school, home, and community to support the Division's goals of education.



developed a formal plan. In that case, the school did not develop the plan in conjunction with the SCC as expected by the Division.

Not developing action plans in response to the TTFM survey in conjunction with SCC may result in missed opportunities to improve school climate or address issues such as a growing number of explained absences.<sup>14</sup> It also increases the risk that the school and SCC are not working toward the same goals and students may feel that they are not being heard.

5. We recommend South East Cornerstone School Division No. 209 check that schools follow established policy requiring them to develop action plans, in cooperation with School Community Councils, to respond to issues identified in assessments of school culture and environment.

## 4.3 Address Disruptive Behaviour

### 4.3.1 Escalation of Student-behaviour Supports Not Documented

*We expected to see processes and mechanisms in place to identify and address problem behaviour including an escalation process. We also expected the Division to document instances and actions taken for problem behaviour.*

We found that problem student behaviour was identified through a variety of sources—primarily by teachers but also by bus drivers, staff meetings, counselors, and students. Once behaviour issues were identified, the Division used several interventions or responses. These included, for example, classroom observations, counseling, parent meetings, formal behaviour plans customized to the student's needs, and collaboration with internal committees (see **Figure 3**).

Where a student required a behaviour plan, the Division expected teachers, counselors, response-to-intervention coaches, and learning-support teachers to collaborate in its creation.<sup>15</sup> It also expected the plans to be maintained on the student's cumulative record<sup>16</sup> (student file) and reviewed on a regular basis. We were told that most plans are reviewed every six weeks and updated annually if required. However, we found those responsible for reviewing student files did not leave evidence of their review.

We observed attendance reports highlighting individual students and schools exceeding a 10% absence rate. School administrators indicated that principals and/or school division superintendents conduct follow-ups. However, we found they did not document or retain documentation of these follow-ups (e.g., in student files). Similarly, the student

<sup>14</sup> We heard from many South East Cornerstone officials and school staff that a significant issue for schools is the increasing number of explained (i.e., parental sanctioned) absences (e.g., hair appointments, vacations). We were told the number of explained absences were having a significant impact on education in the Division. Schools are experiencing increased difficulty keeping students with explained absences up to date with school work.

<sup>15</sup> Response-to-intervention coaches and learning-support teachers are resources put in place to assist students' success without disrupting other student's learning.

<sup>16</sup> Cumulative record is a file that compiles information about a student from year to year that is maintained by the schools the student attends from Kindergarten to Grade 12.



files we examined that related to attendance problems did not include documentation of meetings or actions taken to resolve attendance problems.

The Division indicated that schools look for ways to keep students in school rather than suspend them, as they find a suspension does little to support the student's success. In the case of student suspensions for behaviour, we found suspension letters were appropriately copied to the superintendent and reported to the Board. However, these letters were not consistently included or referred to in the student file.

For a sample of student files at the schools we visited, we found the identification of incidents/ behavioural problems and resulting responses/interventions were unclear. In some instances, plans were in place (e.g., Collaborative Team Plan, Behavioural Intervention Plan). In all cases, files did not document steps undertaken or when or if parents were involved in the resolution. We were told by school principals and counselors that each individual (e.g., parent, counselor, teacher, principal) would take and retain their own notes, however, there was no related documentation on the student file.

Not retaining documentation regarding actions, decisions and responses (e.g., meetings, plans), taken to support positive behaviour of students in the relevant student files makes it difficult for the Division to follow a consistent course of action that meets school division policies. Also, when a student transfers to another school or school division, the student may not be appropriately supported to be successful, or intervention strategies used to address problem behaviour that were found ineffective for that student may be repeated.

- 6. We recommend that the Board of Education of South East Cornerstone School Division No. 209 require consistent documentation in the student file (student cumulative record) of the decisions and steps taken to support positive student behaviour.**

We also found that there was no clear or defined escalation process used to address continuing behaviour issues. The Division has established a school-level intervention escalation process (SLIP). However, we found staff in the schools we visited had limited knowledge of this process. Without clear design, implementation, and communication of a consistent escalation process, staff may not be aware of appropriate steps to take and students may not receive sufficient, timely support.

- 7. We recommend that South East Cornerstone School Division No. 209 implement and communicate a consistent escalation process for addressing continuing problem behaviour.**

#### **4.3.2 Monitoring of Effectiveness of Actions Taken Needed**

*We expected schools to monitor the progress of actions taken to support positive behaviour and attendance.*





As previously noted, South East Cornerstone tracked and monitored student attendance patterns for schools but did not centrally track and monitor other behavioural trends.

As noted in **Section 4.2.3**, South East Cornerstone has a policy that expects the Director of Education to monitor progress in providing a safe and caring environment. It expects the Director of Education to provide analysis of incident reports to the Board. By August, 2014 this had not occurred as the Division did not have a process in place to gather this information. The Director reported all suspensions over three days to the Board as expected.

Without information concerning other student behavioural trends (e.g., disrespect to staff, fighting, drugs, disobedience), it is difficult for South East Cornerstone to effectively identify issues and determine which schools may require revised initiatives or assistance to support positive student behaviour. As a result, South East Cornerstone may fail to take effective, timely action to address issues.

**8. We recommend that South East Cornerstone School Division No. 209 follow its established policy to analyze information on student behaviour and monitor related trends.**

**9. We recommend that South East Cornerstone School Division No. 209 follow its established policy to track and report to its Board of Education on the performance of its initiatives to promote positive student behaviour.**

As previously noted in **Section 4.2.1**, South East Cornerstone is implementing Review 360, a system for tracking and organizing information about student behaviour including incidents. South East Cornerstone expects the system will provide detailed reporting on incidents by type of intervention, when they occur, and by grade level. The Division expects the system will enable the collection and analysis of information on student behaviour.

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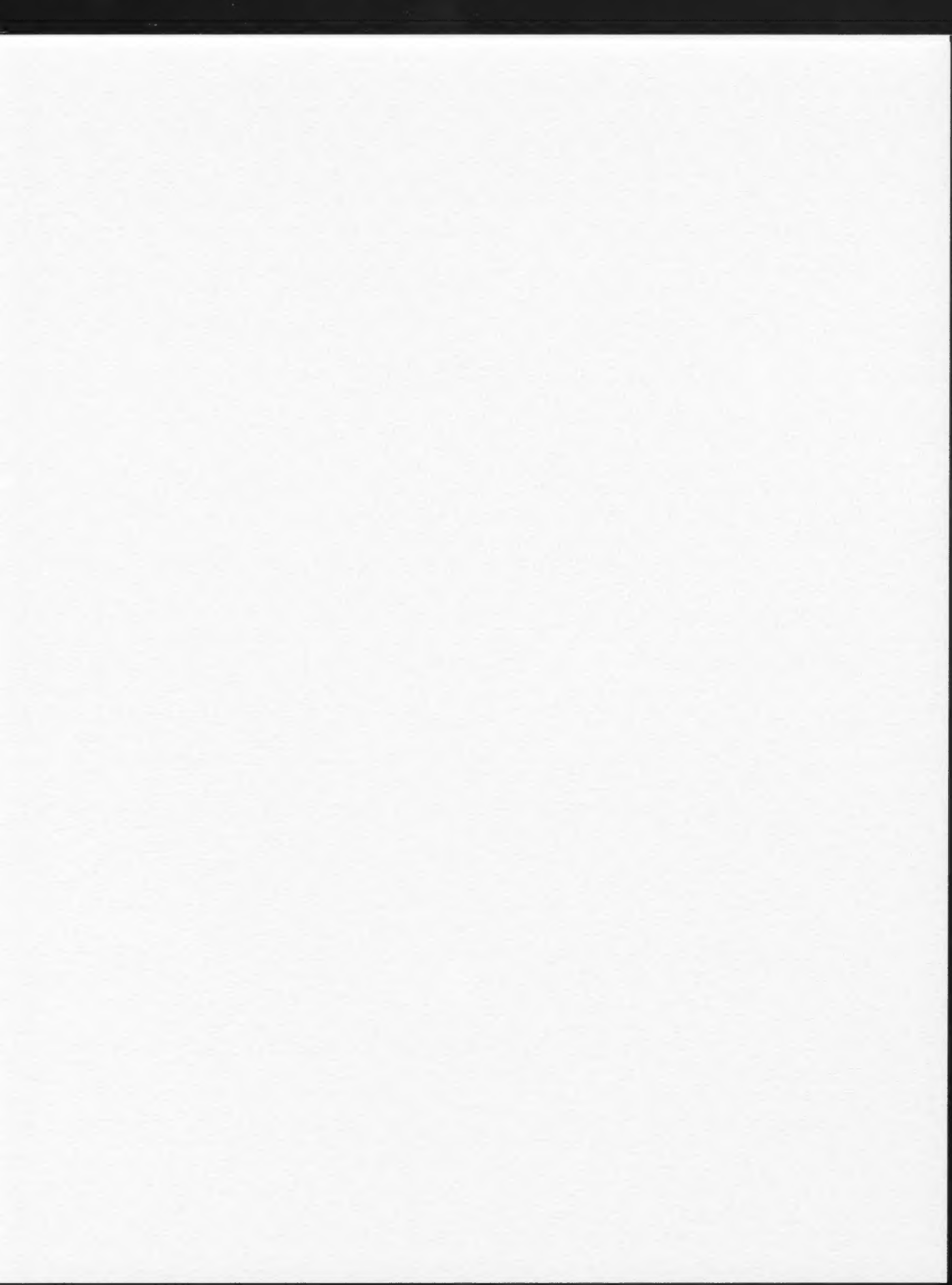
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## Chapter 40

### Water Security Agency—Coordinating Flood Mitigation

#### 1.0 MAIN POINTS

Flooding is one of the most common causes of disasters in Saskatchewan. Reducing or preventing flood damage can reduce impacts on the health and safety of residents and reduce the cost to government for disaster assistance. Flood mitigation involves the coordination and cooperation of numerous supporting provincial ministries and agencies in addition to landowners and municipalities.

The Water Security Agency (Agency) is mandated to promote and coordinate the management, administration, development, conservation, protection, and control of water within the province. As part of its mandate, the Agency is responsible for coordinating flood mitigation in the province.

For the period of August 1, 2013 to July 31, 2014, we found that the Agency had effective processes to coordinate flood mitigation except for the following areas. The Agency needs to:

- Work with others to determine and document municipalities with ongoing flood risks
- Work with others to evaluate gaps in flood mitigation initiatives in municipalities with ongoing flood risks

#### 2.0 INTRODUCTION

This chapter sets out the results of our audit of the effectiveness of the Water Security Agency's processes to coordinate flood mitigation. Reducing or preventing flood damage can reduce potential negative impacts on the health and safety of residents and reduce the costs to the provincial government due to floods.

Floods are natural events that occur when water normally contained in a lake or river channel increases and spills out on to the adjacent land (floodplain). Floods are critical for riparian ecosystems.<sup>1</sup> However, when floods occur in areas used or inhabited by people, they can result in loss of life and/or expensive damage to infrastructure, such as buildings and roads.

Flooding is one of the costliest disasters in Canada. Every year, floods cost Canadians millions of dollars in property damage, lost production, lost wages, and lost businesses.<sup>2</sup> Floods also kill people and displace others from their homes. For example, the 2013 flooding in Alberta killed four people and forced 100,000 people from their homes. This flood was Canada's most expensive natural disaster, with insured damages of more than \$1.7 billion.<sup>3</sup> Governments can spend millions cleaning up the aftermath and providing financial assistance to residents affected by such events.

<sup>1</sup> Riparian ecosystems refer to the interacting communities of organisms and their physical environment between land and a river or stream.

<sup>2</sup> [www.ec.gc.ca/eau-water/default.asp?lang=En&n=97439BCE-1](http://www.ec.gc.ca/eau-water/default.asp?lang=En&n=97439BCE-1) (20 October 2014)

<sup>3</sup> Insurance Bureau of Canada, Media Releases 2013.





## 2.1 Flooding in Saskatchewan

After droughts, flooding has been the second most common cause of disasters in Saskatchewan.<sup>4</sup> As well, “as a result of the changing nature of extreme events resulting from climate change, flooding may continue to be a common cause of disaster events in the provinces, particularly in urban areas, which are susceptible to high costs from extreme rainfall events.”<sup>5</sup>

Flooding in Saskatchewan often occurs in the spring due to snowmelt and rain. The potential severity of floods during this time is dependent on the following three factors:

- Soil moisture levels, the amount of snowfall and the extent of basin storage during the preceding fall
- Runoff, particularly the snow-water equivalent at the time of the spring runoff (and the amount of rain that may come during snowmelt)
- The rate of snowmelt, with faster melts producing higher runoff peaks and volumes than slower melts

In recent years, flooding due to large rain events in the late spring and early summer have become more prominent.

In addition to floods along river systems, Saskatchewan has experienced floods in poorly-drained basins and terminal water bodies (bodies of water that do not have natural drainage outlets). Examples of these terminal water bodies include Quill Lake and Old Wives Lake.<sup>6</sup> Because water cannot drain out of terminal water bodies, their water levels are determined by the balance of precipitation and evaporation. In years of significant precipitation, the water level in poorly-drained basins and terminal water bodies rises and, at times, spills out causing flooding.

Floods in Saskatchewan occur along water sources, including three of its major river systems: the South Saskatchewan River, the Souris River, and the Qu'Appelle River (see **Figure 1** for the location of these rivers). Many of Saskatchewan's municipalities,<sup>7</sup> including the cities of Saskatoon and Prince Albert, are located adjacent to these major river systems and hence are in flood-risk areas.

<sup>4</sup> The Institute for Catastrophic Loss Reduction, *Telling the Weather Story*, p. 44.

<sup>5</sup> Ibid.

<sup>6</sup> Conversation with Water Security Agency.

<sup>7</sup> Under *The Municipalities Act*, the Minister of Government Relations may, by order, constitute any area with Saskatchewan as a municipality and may incorporate them as a city, town, village, resort village or northern village or hamlet.

Figure 1 – Map of Saskatchewan Including Major River Systems



Source: [www.yellowmaps.com/maps/saskatchewan\\_province\\_map.htm](http://www.yellowmaps.com/maps/saskatchewan_province_map.htm) (25 September 2014).

## 2.2 Saskatchewan Water Security Agency's Role in Coordinating Flood Mitigation

The *Water Security Agency Act* gives the Saskatchewan Water Security Agency (Agency) several responsibilities and powers related to flood mitigation including the mandate to:

- Promote and coordinate the management, administration, development, conservation, protection, and control of the water, watersheds, and related land resources of Saskatchewan
- Manage, administer, develop, control and protect the water, watersheds and related land resources of Saskatchewan

Part of the Agency's responsibilities is to lead the implementation of the *25 Year Saskatchewan Water Security Plan* (25-Year Plan). The Government released this Plan in 2012. As shown in **Figure 2**, the 25-Year Plan includes 10 flood mitigation actions led by



either the Agency (**in bold**) or the Ministry of Government Relations.<sup>8</sup> Also, as reflected in **Figure 2**, flood mitigation involves the coordination and cooperation of numerous supporting provincial ministries and agencies in addition to landowners and municipalities.

**Figure 2—Excerpt of Flood Mitigation Actions from the 25 Year Saskatchewan Water Security Plan and the Water Security Agency 2013-14 Annual Report**

Item #	Action	Year to be Completed	Lead Provincial Ministry/ Agency	Supporting Provincial Ministries/ Agencies	Status*
5.1a	Develop improved flood forecasting tools	2016	<b>Water Security Agency</b>	N/A	This action is to be initiated in 2014-15
5.1b	Develop a provincial emergency flood response plan that addresses community, individual and local government responsibilities	2014	Government Relations	Water Security Agency, Agriculture, Health, Highways and Infrastructure, SaskPower, Social Services	Not yet initiated
5.1c	Develop a strategy to ensure communities and the public have access to flood hazard information and are aware of potential flood risks	2014	<b>Water Security Agency</b>	Government Relations, Health	Not yet initiated
5.1d	Undertake a flood risk assessment of municipal drinking water and wastewater infrastructure	2016	<b>Water Security Agency</b>	Government Relations	Systems at risk of flooding understood at Environmental Project Officer level. A formal survey-based assessment has not yet been initiated and remains pending.
5.1e	Encourage municipalities to map flood risk areas associated with under-capacity of wastewater and storm sewer infrastructure as projected in the Insurance Bureau of Canada's report on impacts associated with climate change	Ongoing	Government Relations	Water Security Agency	Not yet initiated – Agency waiting for Ministry of Government Relations input

\* The Ministry of Government Relations is responsible for the provincial emergency management plan and for working with municipalities on various matters including flood mitigation.

Item #	Action	Year to be Completed	Lead Provincial Ministry/ Agency	Supporting Provincial Ministries/ Agencies	Status*
5.1f	Implement the flood protection and prevention measures established in <i>The Statements of Provincial Interest Regulations</i> ** into local official community plans and zoning bylaws	Ongoing	Government Relations	Water Security Agency	Being implemented as communities renew their official community plans and zoning bylaws. 62 new official community plans were submitted during 2013-14
5.1g	Pursue negotiations with Canada to develop and implement a new long-term federal-provincial program for flood mitigation as part of an all hazards program	2014	Government Relations	Water Security Agency, Agriculture	In its 2014 budget, the federal government indicated its intent to develop a federal provincial program, but no substantive negotiations have occurred.
5.2a	Assess the range of alternatives and implement strategic actions to manage drainage	2013	<b>Water Security Agency</b>	Agriculture, Environment, Government Relations	Online drainage consultation process undertaken and a range of alternatives for drainage legislation, management practices and enforcement options were discussed. Inshtrix is preparing a paper to help WSA identify alternatives and develop strategic actions for the future.
5.2b	Develop a results-based drainage works approval process and associated enforcement strategy, including the potential use of financial penalties	2014	<b>Water Security Agency</b>	Agriculture, Environment, Government Relations	Held broad consultations with Online Drainage Forum. A discussion paper for further consultations is nearly complete.
5.2c	Develop new strategies to effectively address excessive moisture concerns on agricultural lands, including provision of information and advice on proper drainage design and management and consideration of the benefits of wetland retention and restoration	2014	<b>Water Security Agency</b>	Agriculture, Environment, Government Relations, Saskatchewan Crop Insurance Corporation	Work underway. WSA is working with a number of communities to create new Conservation Area Authorities to collectively address excess water challenges.

Source: Saskatchewan Water Security Agency, *25 Year Saskatchewan Water Security Plan (2012)* and *Water Security Agency's 2013-14 Annual Report*.

\* Per the *Water Security Agency's 2013-14 Annual Report*.

\*\**The Statements of Provincial Interest Regulations, 2012* require planning documents to prohibit the development of new buildings and additions to buildings in the flood way of the 1:500 year flood elevation of any watercourse or water body.

Saskatchewan should be prepared to experience potentially larger and more frequent extreme weather events in the future, including floods.<sup>9</sup> Being prepared is important because these flooding events can have huge impacts on people and on our economy.

<sup>9</sup> According to the Insurance Bureau of Canada report, *Telling the Weather Story*, as a result of the changing nature of extreme events resulting from climate change, flooding may continue to be a common cause of disaster events in the provinces, particularly in urban areas, which are susceptible to high costs from extreme rainfall events.





Floods can also be costly to the provincial government as it provides assistance to those affected (e.g., through the Provincial Disaster Assistance Program – see **Figure 3**). Reducing or preventing flood damage can reduce the cost of cleanup and reduce potential negative impacts on the health and safety of residents. The Agency plays a key role in coordinating flood mitigation.

**Figure 3—Four Years of Provincial Disaster Assistance Program (PDAP) Expenses**

Fiscal Year	PDAP Expenses* (in millions)
2013-14	\$ 46.8
2012-13	72.6
2011-12	157.1
2010-11	48.2
<b>Total</b>	<b>\$ 324.7</b>

\*Source: *Public Accounts Volume 2*, 2010-11 to 2013-14. The PDAP expenses include expenses related to flood damage and other disasters; flood damage makes up most of the expenses.

### 3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether the Water Security Agency had effective processes to coordinate flood mitigation. Flood mitigation refers to initiatives undertaken by any party to reduce or prevent the damage of future floods. We assessed the Agency's processes for the 12-month period of August 1, 2013 to July 31, 2014.

This audit did not examine flood disaster emergency response and recovery processes (e.g., processes used to respond to an emergency or to address damages or required cleanup as a result of flooding).<sup>10</sup>

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Agency's processes, we used criteria based on our related work, literature including reports of other auditors, and consultations with management. The Agency's management agreed with the criteria (see **Figure 4**).

We examined the Agency's policies, procedures, plans, and reports. We interviewed Agency staff, observed the forecasting system, and examined files and documents that related to coordinating flood mitigation.

<sup>10</sup> Flooding can result in structural damages to buildings, roads and bridges, and can damage sewer and power infrastructure.

Figure 4—Audit Criteria

Effectively coordinating flood mitigation includes processes to:

- 1. Determine and Communicate Flood Risks**
  - 1.1 Collect and analyze data related to floods (e.g., forecast water level and flow patterns)
  - 1.2 Identify potential flood-risk areas
  - 1.3 Communicate flood risks to those potentially impacted
- 2. Develop and Conduct Flood Mitigation Initiatives with Others (e.g., Government Relations, Agriculture, federal government, individuals) in Flood-Risk Areas**
  - 2.1 Analyze whether flood-risk areas are being mitigated
  - 2.2 Plan flood mitigation initiatives in conjunction with others (consider priorities, responsibilities, gaps, and overlaps)
  - 2.3 Conduct flood mitigation initiatives the Agency is responsible for
- 3. Monitor Flood Mitigation Initiatives**
  - 3.1 Communicate with others and compile data on achievement of initiatives
  - 3.2 Report progress
  - 3.3 Take action as required

We concluded that, for the period of August 1, 2013 to July 31, 2014, the Water Security Agency had effective processes to coordinate flood mitigation except it needs to:

- » **Work with others to determine and document municipalities with ongoing flood risks**
- » **Work with others to evaluate gaps in flood mitigation initiatives in municipalities with ongoing flood risks**

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 4**.

### 4.1 Determination of Ongoing Flood Risks Needed

#### 4.1.1 Forecasting Flood Risks

To predict where immediate floods will occur, forecasting is necessary. The objective of flood forecasting is to interpret data collected, estimate the amount of runoff expected to occur, predict the level and timing of water levels in flood-risk areas, and provide the forecast to users on a timely basis. Users of the Agency's forecasts include the Agency, SaskPower, Manitoba Hydro, the Province of Manitoba, ferry operators, municipalities, irrigators, the State of North Dakota, SaskWater, and the general public.

Forecasts the Agency produces can be grouped into three broad areas: spring runoff forecasts, ongoing forecasts for Saskatchewan's major river systems, and event-driven forecasts. The Agency makes these forecasts available to interested stakeholders and the public by posting them on its website.

We found each February, March, and April, the Agency produces a spring runoff forecast with broad predictions of river runoff levels for the upcoming spring/summer (i.e., water levels in rivers from spring snowmelt) across the province. It predicts whether



the runoffs will be low, average, or high. Spring runoff forecasts can indicate the areas of potential flooding. To make these forecasts, the Agency uses data such as fall moisture conditions, the amount of winter snowfall, the expected rate of snow melt, and river and lake levels.

Throughout the spring and summer, we found the Agency generates ongoing forecasts for each of Saskatchewan's major river systems (e.g., Saskatchewan River). These ongoing forecasts provide more specific updates from which flood warnings can be developed. When specific risks are identified (e.g., heavy anticipated rainfall), the Agency generates event-driven forecasts to predict flood risks resulting from the event.

The Agency bases its ongoing and event-driven forecasts on weather forecasts from various sources, including Environment Canada and data from water monitoring stations. The Agency and Environment Canada collectively have about 300 water monitoring stations located in rivers and lakes throughout the province. Also, the Agency obtains water monitoring data from other provinces (e.g., Alberta). We found the Agency uses a risk-based approach and increases the frequency of its forecasting and reviews of data when high water levels are present that could result in floods.

We found that, unlike all other western provinces, the Agency does not integrate data into a physically-based hydrologic model<sup>11</sup> to aid in flood forecasting. Instead, the Agency generates forecasts using the professional judgement of its staff and current and historical data. The Agency recognizes there could be improvements in its forecasting system and has included an action in the 25-Year Plan to develop improved flood forecasting tools.<sup>12</sup> The Agency anticipates completing its analysis of flood forecasting tools in 2016.

#### 4.1.2 Identification of Ongoing Flood-Risk Areas Needed

The Agency identifies municipalities facing immediate and seasonal flood risks through its forecasting process. For example, in the spring of recent years, the Agency identified municipalities at risk of seasonal flooding through its spring runoff forecast. In addition to the spring runoff forecast, the Agency relies on informal knowledge of its regional office staff (such as historical flooding) to predict municipalities that could be impacted.

While identifying areas with immediate and seasonal flood risks through forecasting is important to save people from imminent flood threats, a long-term view of ongoing flooding is necessary to effectively protect infrastructure from flood damage.

We found the Agency does not have a formal record of municipalities that have experienced damage from floods or that face an ongoing risk of damage from floods. Such a record would aid the Agency in determining where to plan and prioritize future flood mitigation initiatives with others (such as municipalities and the Ministry of Government Relations [Government Relations]) and could reduce the need for the Government to use emergency programs to pay for damage from flooding.

<sup>11</sup> Hydrologic models allow computerized physical simulations of water flowing through a system. Different scenarios can be run through these models to help decision makers understand possible impacts of flood events.

<sup>12</sup> Action item 5.1a noted in **Figure 2**.



1. We recommend that the Water Security Agency work with others (e.g., municipalities and the Ministry of Government Relations) to determine and document municipalities with ongoing flood risks.

### 4.1.3 Communicating Flood Risks to Those Potentially Impacted

As previously noted, the Agency uses its website to keep users of its forecasts and the public informed. Website users can subscribe to feeds that automatically update them with news and advisories posted by the Agency.

We found the Agency also posts public advisories that outline areas that could be impacted by potential flooding. As well, the Agency, along with Government Relations, holds public meetings with municipalities at risk of seasonal flooding to allow them to plan flood mitigation initiatives.

While the Agency uses its website to inform the public of potential flood risks, Government Relations, through its provincial emergency measures office, is responsible for official public communications about flood risks and coordinating disaster responses as necessary.

For municipalities facing an immediate flood risk, the Agency's role is to provide flood-risk information to Government Relations. When the Agency forecasts immediate floods risks, it requires updates each morning on regional conditions from its five regional offices, and then provides a daily update to Government Relations. Also, at these times, the Agency's regional offices may directly contact businesses and individuals potentially affected by immediate flood risks in their region.

## 4.2 Evaluation of Flood Mitigation Initiatives Needed

### 4.2.1 Need to Evaluate Whether Flood Risks are Being Mitigated

Because many municipalities in Saskatchewan already exist in flood-risk areas, flood mitigation initiatives are needed to reduce flood damage. Several stakeholders undertake flood mitigation initiatives including the Agency, land owners, and municipal governments.

The Agency works with agriculture land owners to mitigate flooding concerns through its processes to permit drainage structures and handle drainage complaints (see **Section 4.2.3** for further information).

As discussed in **Section 4.1.2**, the Agency does not have a formal record of municipalities that have experienced damage from floods or are at risk of damage from floods. In addition, we found that the Agency does not have a complete record of mitigation measures that have been taken, or that are necessary to adequately protect the at-risk areas from potential floods. As a result, we found the Agency did not analyze





whether current flood risks are being sufficiently mitigated. We found that the Agency's regional offices have only informal knowledge about some municipalities that face flood risks in terms of what the municipalities are doing or would like to do to mitigate the risks.

In 2013, the Agency conducted a study on its Emergency Flood Damage Reduction Program (EFDRP).<sup>13</sup> EFDRP provides, on a cost-shared basis, funding to assist individuals and municipalities with flood preparation. The results of the study highlighted the benefit of flood mitigation measures. The study concluded that through the \$13.6 million that the Agency spent on flood prevention in municipalities, an estimated \$407 million in damages from floods was avoided.<sup>14</sup>

Because of the benefit in conducting flood mitigation initiatives, it is important that the Agency not only know about areas at risk of flooding, but evaluate what has been done (by itself and others, e.g., municipalities) and what remains to be done and at what cost to protect developed areas at risk. Such an evaluation is key to determining where to plan and prioritize future flood mitigation initiatives with others (e.g., municipalities and Government Relations). For example, the Agency and Government Relations would be better prepared to identify priorities for the potential federal-provincial program for flood mitigation.<sup>15</sup>

2. **We recommend that the Water Security Agency work with others (e.g., municipalities and the Ministry of Government Relations) to evaluate gaps in flood mitigation initiatives in municipalities with ongoing flood risks.**

#### 4.2.2 Planning Flood Mitigation Initiatives

The Agency plans to undertake certain flood mitigation initiatives each year. These include forecasting risks of floods, monitoring and regulating water flow in the operations of its dams, administering the EFDRP, approving drainage structures, providing technical advice to others on request, resolving complaints about drainage, and providing on-request safe building elevations for property developments. (See **Section 4.2.3** for further discussion).

The remainder of the Agency's planned flood mitigation work is driven by the flood-mitigation actions and priorities of the 25-Year Plan as described in **Figure 2**.

We found the flood mitigation actions and timelines set out in the 25-Year Plan were developed through comprehensive meetings between the Agency's executive management team and its senior and regional managers, and regular consultation with other supporting ministries (e.g., Government Relations). As well, the Agency held public consultations to obtain the views of Saskatchewan municipalities and organizations

<sup>13</sup> The study can be found at [www.wsask.ca/Global/About%20WSA/Publications/2011%20EFDRP%20Report/2011%20EFDRP%20Report.pdf](http://www.wsask.ca/Global/About%20WSA/Publications/2011%20EFDRP%20Report/2011%20EFDRP%20Report.pdf) (24 September 2014).

<sup>14</sup> The damage prevented and money saved represents homes, infrastructure, businesses, farm buildings, and heritage buildings saved as a result of the preventative measures taken in the 2011 flood year.

<sup>15</sup> Action item 5.1g in **Figure 2**.

(e.g., watershed associations). Through meetings with Government Relations, it identified the appropriate lead agency for each action related to flood mitigation.

The Agency works with two main types of organizations, other than provincial agencies and municipalities, to develop plans to address flood risks. They are:

- Conservation and Development Authorities – There are about 90 authorities in the province. These are groups of agriculture producers that band together to work collectively to solve drainage problems on agricultural land.
- Watershed Associations – There are about 15 watershed associations in the province. These are groups of municipalities formed to jointly address shared flood risks, such as blocked creeks or channels that affect multiple municipalities. A watershed association may address this shared risk by undertaking a channel clearing project.

### 4.2.3 Conducting Flood Mitigation Initiatives

We found the Agency conducts the following flood mitigation activities as planned:

- Monitors and regulates water levels and flows when operating dams. The Agency owns and operates four major dams in the south of the province: Diefenbaker, Alameda, Rafferty, and Qu'Appelle. We found the Agency documents its rationale and obtains appropriate internal approvals for its dam operating decisions that can impact flooding.
- Approves drainage structures through a permitting process. Drainage structures are used to channel water off of land and into rivers or other drainage channels. If they are not designed or located properly, they can cause flooding. During the year, we found the Agency issued construction and operation permits for about 70 structures.
- Handles complaints about agricultural flooding and drainage. The Agency is responsible for handling complaints regarding agricultural flooding caused by a neighbour's activities. We found the Agency is having difficulty addressing drainage complaints on a timely basis. For example, during our audit period the Agency received 153 requests for assistance to resolve drainage complaints, and had over 100 outstanding requests at July 31, 2014. The Agency recognizes there are weaknesses in its processes and has included an action in the 25-Year Plan to develop a results-based drainage works approval process and associated enforcement strategy for agricultural lands.<sup>16</sup> The Agency has conducted an online forum and commissioned a study to identify alternatives to its current process for handling agriculture drainage approvals and complaints.
- Provides information about safe building elevations for new developments. The Agency provides information about the 1:500 year flood level<sup>17</sup> to help individual homeowners, municipalities, and developers establish safe building levels for their lot or development. We found the Agency establishes 1:500 flood elevation levels for

<sup>16</sup> Action item 5.2c in **Figure 2**.

<sup>17</sup> A 1:500 year flood refers to a flood with a 0.2% chance of occurring. A 1:500 year flood level is the elevation that a flood of that magnitude is expected to reach.



new individual lots or developments based on existing data (e.g., current and historic water levels, topography of the area) and studies.

- ▶ Provides technical advice. Upon request, the Agency offers technical services for flood mitigation structure maintenance (e.g., berms or dikes) and channel clearing programs to address municipal and agricultural flood risks.
- ▶ Administers the Emergency Flood Damage Reduction Program (EFDRP). Through the EFDRP, the Agency provides advice to and funding for municipalities, businesses, non-profit organizations, individual farm and country residences, and cottages to prevent damage from imminent flooding. We found applications for funding were appropriately supported and approved. The EFDRP has operated since 2011. See **Figure 5** for EFDRP expenses for 2010-2011 to 2013-2014.

**Figure 5—Expenses Related to Emergency Flood Damage Reduction Program (EFDRP)**

Fiscal Year	EFDRP Expenses (in millions)
2013-14	\$ 16.4
2012-13	7.8
2011-12	46.0
2010-11	11.4
<b>Total:</b>	<b>\$ 81.6</b>

Source: Water Security Agency audited financial statements.

## 4.3 Flood Mitigation Initiatives Being Monitored

### 4.3.1 Compiling Data on Achievement of Initiatives

We found the Agency's regional offices provide senior management with weekly and monthly updates on activities they undertake, including flood mitigation initiatives such as drainage approvals, channel clearing approvals, drainage complaints, and the EFDRP. The Agency compiles these updates to reflect some of its flood mitigation work in the Agency's annual report.

As the lead agency for the 25-Year Plan, the Agency also receives annual updates on assigned actions from other participating agencies. The Agency and Government Relations have established lead contacts within their respective organizations for the flood mitigation initiatives. The Agency uses this information to report on achievement of flood mitigation initiatives in the 25-Year Plan in the Agency's annual report.

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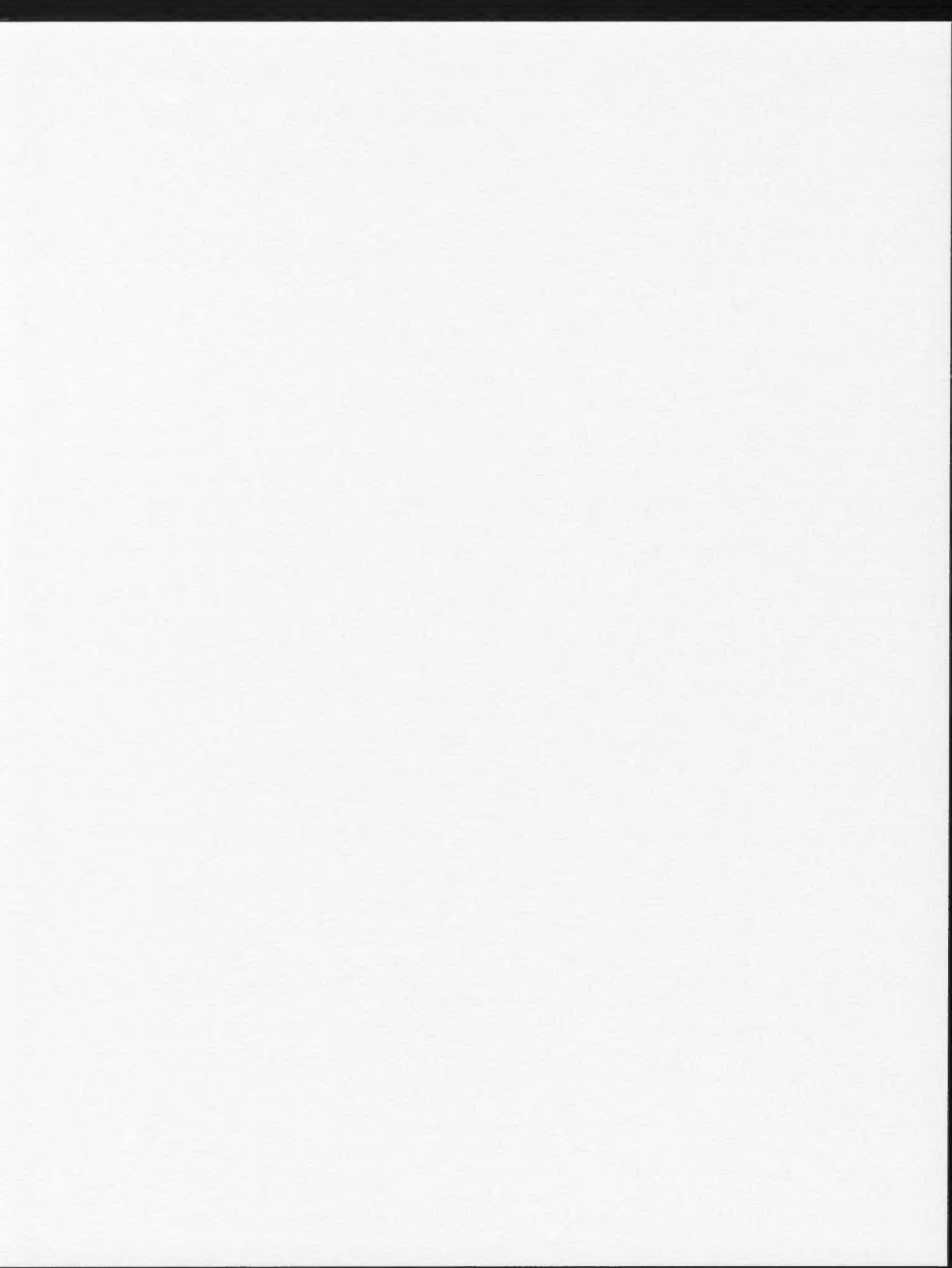
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## Chapter 41

### Agriculture and Health—Regulating Meat Safety

#### 1.0 MAIN POINTS

Unlike other provinces, in Saskatchewan, two ministries (the Ministry of Agriculture and the Ministry of Health) are responsible for meat safety. Both ministries must inspect slaughter plants under their purview, with each having different standards for inspections. The Ministry of Agriculture (Agriculture) is also responsible for inspecting meat produced at slaughter plants it licenses.

Our 2012 Report – Volume 2 raised concerns about the lack of a consistent approach to meat safety and noted an increased risk of unsafe meat being produced in Saskatchewan. We made 10 recommendations to improve processes over regulating meat safety.

Since our audit, both ministries have made improvements. They have jointly identified meat inspection-related risks and developed action plans to mitigate these risks. Both ministries give the public information about slaughter plants that they each license. Since July 2014, Agriculture has had new standards with respect to regulating meat production, and has provided better reports to its senior management on the results of its meat regulatory activities. The Ministry of Health (Health) is working on amending regulations related to meat production, and is looking at implementing a new database to help it better track and report on the results of its inspections and regulatory activities. However, Health needs to develop and approve sanitation standards related to meat production and improve how it oversees inspections of slaughter plants that regional health authorities conduct.

Without these changes the risk continues that meat inspections may not be carried out to the same standards.

#### 2.0 INTRODUCTION

Our 2012 Report – Volume 2, Chapter 33 reported on whether the Ministries of Health and Agriculture had effective processes to regulate the production of meat that is safe for human consumption. We concluded that the Government of Saskatchewan, Agriculture and Health needed to strengthen their processes that help keep meat safe in Saskatchewan. We made 10 recommendations, one for the Government of Saskatchewan, three for the Ministry of Agriculture, and six for the Ministry of Health.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Agriculture's and Health's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Agriculture's and Health's management agreed with the criteria in the original audit.



## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation, the status of each recommendation as of September 30, 2014, and management's actions up to that date.

### 3.1 Saskatchewan Legislation Regulating Meat Safety Being Assessed

We recommended that the Government of Saskatchewan formally assess the risks related to uninspected meat and consider updating its regulations for the production of meat that is safe for human consumption. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

As reported in our *2012 Report – Volume 2*, provincial governments are responsible for regulating meat safety within each province. Saskatchewan is the only province in Canada that assigns this responsibility to two different ministries. Having two ministries responsible for this task increases the risk that the Government will not know how many animals are slaughtered in the province or how much meat enters the food chain without being inspected. Health's regulations do not require reporting on the number of animals slaughtered at each plant, whereas Agriculture's does. Having two different ministries responsible – one of which uses internal staff<sup>1</sup> to conduct inspections and the other which uses a third party – increases the risk that inspections may not be conducted to the same standard.

Both Health and Agriculture are each responsible for ensuring slaughter plants under their purview are inspected. To inspect these facilities, Health uses public health inspectors employed by the regional health authorities, whereas Agriculture relies on third-party inspectors. Agriculture is also responsible for inspecting the meat produced at the slaughter plants it licenses.

Since our audit, Health and Agriculture have consulted one another and have created a list of inspection-related risks to examine further. Planned actions include reviewing its inspection standards, determining the amount of meat consumed in the province that has not been inspected, and tracking any communicable diseases as a result of contaminated meat.

Health is working on regulation amendments related to meat production to enhance the existing *Food Safety Regulations* that deal with food production. Health anticipates that the revised regulations will be in place in 2015.

<sup>1</sup> Internal staff are public health inspectors at regional health authorities.



### 3.2 Agriculture Standards for Regulating Meat Updated

We recommended that the Ministry of Agriculture review its standards for regulating meat production and formally approve them. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

#### Status – Implemented

In December 2013, the federal government stopped providing Saskatchewan with inspection services that helped Agriculture enforce provincial regulations. Therefore, it is important for Agriculture to review and approve standards for regulatory meat production to ensure all parties involved in the meat production process (e.g., operators, regulators and inspectors) understand the processes to follow when preparing meat for human consumption.

Since our audit, Agriculture worked with various parties (e.g., industry, other jurisdictions) to create a new standard to ensure humane slaughter of animals and production of safe meat products. The new standard outlines the detailed requirements and expectations for meat establishments inspected under the Domestic Meat Inspection Program. On July 30, 2014, Agriculture approved its Domestic Meat Inspection Program Standard.

### 3.3 Agriculture–Reporting of Inspection Results Improved

We recommended that the Ministry of Agriculture update its public website to include a list of all the slaughter plants registered in the Saskatchewan Domestic Meat Inspection Program. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

#### Status – Implemented

Allowing the public access to an online listing of slaughter plants registered under the Saskatchewan Domestic Meat Inspection Program provides the public with information about which slaughter plants are licensed.<sup>2</sup> It also provides the public with contact information for slaughter plant owners, should they have any questions or concerns.

Since our audit, Agriculture updated its website to include a listing of the 11 slaughter plants for which it is responsible. This listing includes the names of owners of the plant, as well as contact information.

<sup>2</sup> [www.agriculture.gov.sk.ca/Meat-Inspection-Program](http://www.agriculture.gov.sk.ca/Meat-Inspection-Program) (22 October 2014).



We recommended that the Ministry of Agriculture provide a report quarterly to its senior management on the causes of sanitation problems in slaughter plants and actions taken to enforce *The Regulations Governing the Inspection of Meat in Domestic Abattoirs, 1968*. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

Written reporting is essential for senior management to make informed decisions that impact the inspection and regulation of slaughter plants. Written information also provides a permanent record of the history of inspection results of slaughter plant inspections. Such records are important when experienced staff leave the organization.

In April 2013, Agriculture began providing quarterly reports to its senior management. The reports include information on any major non-compliance found during inspections at each slaughter plant, a listing of the slaughter plants registered under the Domestic Meat Inspection Program, a schedule of payments provided to the third party for meat inspection services, and trend information on the number of animals slaughtered.

### 3.4 Health–Standards for Sanitation in Slaughter Plants Being Assessed

We recommended that the Ministry of Health, consulting with the Ministry of Agriculture and regional health authorities, develop and approve detailed sanitation standards for slaughter plant operations. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

Not having specific, written standards that are readily available makes it difficult for slaughter plants to produce meat that is safe, and increases the difficulty for regional health inspectors to effectively inspect slaughter plants.

At September 2014, Health indicated that it was working on new slaughter plant provisions to be incorporated into *The Food Safety Regulations* and was creating standards to accompany the revised regulations. Health expects to complete this work in 2015. Health is consulting with Agriculture and the regional health authorities in order to develop slaughter plant standards to ensure the safety of meat. It expects these standards to include equipment cleaning procedures and required temperature control of storage to help ensure the safety of meat. Health expects these standards, once finalized and approved, will help operators meet the incoming regulations.

### 3.5 Health–Regional Health Authorities Not Adequately Monitored

We recommended that the Ministry of Health obtain more information to help it assess risks to meat safety, including the number of animals slaughtered, in slaughter plants licensed under *The Sanitation Regulations, 1964*. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

#### Status – Partially Implemented

For Health to assess meat safety risks related to the slaughter plants it licences, Health needs current information on various risk factors including the number of domestic and wild animals being processed. It also needs to know if different types of animals are processed at the same plant, the general location of sales to the public, and the general magnitude of the plant's operations. Health does not regularly receive this information from regional health authorities or from the slaughter plant operators.

Without this information, Health cannot effectively oversee the enforcement of *The Sanitation Regulations, 1964*. *The Sanitation Regulations, 1964* are intended to prevent the spread of communicable diseases from licensed slaughter plants.

In 2012, Health, through a survey of the slaughter plants it licenced, collected information on the types and volume of domestic animals slaughtered, whether wild animals are processed, the general location of sales, and the number of operating days and slaughtering days per year at these facilities. Staff analyzed the results and reported the findings to senior management. At September 2014, Health was considering changing its licensing requirements to require licensees to provide this type of information annually in the future.

We recommended that the Ministry of Health confirm that regional health authorities take appropriate action to ensure that high and medium risk slaughter plants correct identified problems that could reduce the safety of the meat produced. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

#### Status – Partially Implemented

Without appropriate corrective action, slaughter plants could produce meat that is not safe for human consumption. This could result in people becoming ill due to how the meat was processed or slaughtered.

Health's inspections tracking system does not provide any details on the deficiencies found in the inspections (see **Figure 1**), the enforcement action taken by the regional health authorities, or actions taken to correct them. Without this information, Health is not able to confirm that the regional health authorities have taken appropriate action.

**Figure 1—Health's Inspection Rating System**

Consistent with our 2012 audit, Health assigns a rating to each Health-licensed facility that is based on its re-inspection priority, rather than how likely the facility is to produce meat that is contaminated. If public health inspectors at the regional health authorities (inspectors) determine that a Health-licensed facility is producing meat that is not safe to eat, they cancel the operator's license and order the facility to close. If inspectors identify deficiencies on a standard inspection form when inspecting Health-licensed facilities, they rate the facility as high, medium, or low risk of producing meat that is not safe to eat. The high or medium rating means that the inspector will inspect the facility more frequently.

Health expects to implement a new database in spring 2015. It expects this system will capture more information on the deficiencies found in the inspections, the enforcement actions taken by the regional health authorities, and allow for a more in-depth analysis at the regional health authority level.

Health uses its tracking system to determine whether inspectors are performing their inspections and re-inspections within the specified timeframes. In its 2013-14 reports provided to management, it was noted that eight facilities were not inspected within the required timeframes. In these cases, Health asked the regional health authorities why the inspections were not completed on time and requested an inspection be done if the facility was not closed.

We recommended that the Ministry of Health analyze regional trends in public complaints about slaughter plants and/or contaminated meat. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

Monitoring complaints from the public can provide an early alert that sanitation practices have not been maintained at the level observed during an annual inspection. Analysis of complaints can provide insight into changes needed in the meat safety program.

Since our 2012 audit, Health has implemented a complaint tracking system within the Ministry and has received one complaint directly about a Health-licensed facility. This complaint related to improper disposal of animal waste from the slaughter plant. In this instance, Health contacted the health region to follow up with the facility. The matter was resolved within three days.

Health information management systems do not track inquiries or complaints about slaughter plants made to the regional health authorities. Health needs this information to analyze regional trends in public complaints about slaughter plants and/or contaminated meat.

As noted previously, Health expects to implement a new electronic database in spring 2015. It expects to use this system to track public complaints about slaughter plants and/or contaminated meat and to perform more in-depth analysis at the regional health authority level.



### 3.6 Health-Reporting of Inspection Results Improving

We recommended that the Ministry of Health update its public website to include the inspection results for all slaughter plants licensed under *The Sanitation Regulations, 1964*. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

Publicly-posted license information and inspection results are an efficient way for the public to be assured that a plant was inspected and was deemed suitable at the time of inspection. This provides increased public confidence. Since our audit, Health has posted on its website a listing of all of the Health-licensed slaughter plants, along with the name of the facility's operator. Because *The Public Health Act, 1994* does not provide for public disclosure of slaughter plant inspection results, Health is considering changes to the law to provide for public disclosure.

We recommended that the Ministry of Health provide a summary report quarterly to its senior management on the causes of sanitation problems arising at slaughter plants and the actions taken to enforce *The Sanitation Regulations, 1964*. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

Written reports are essential for senior management to make informed decisions that impact the inspection and regulation of slaughter plants. Written information also provides a permanent record of the history of inspection results. Such records are important when experienced staff leave the organization. Reporting to management is important so that management knows each slaughter plant received the proper attention from Health during any given year.

In 2014, Health provided a report to senior management covering its 2013 activities. The report provided inspection statistics, indicated that there were no reported incidences of food-borne illnesses, described the common deficiencies found during inspections, and compared those findings to historical trends. As Health does not collect information on the actions taken by the regional health authorities to enforce *The Sanitation Regulations, 1964*, the report does not include this information.



## Chapter 42

### Cypress Regional Health Authority – IT Security

#### 1.0 MAIN POINTS

This chapter describes our follow-up of management's actions on three recommendations we initially made in our *2008 Report – Volume 3*, Chapter 10 – Part D about Cypress Regional Health Authority's processes to secure its information technology (IT) systems and data.

Since our previous follow-up in 2012, Cypress Regional Health Authority (Cypress RHA) has made progress on each of the outstanding recommendations. However, further work remains so that its information technology systems and data are secure.

#### 2.0 INTRODUCTION

In 2010 and 2012, we assessed the progress Cypress RHA made on our 2008 recommendations. Our *2010 Report – Volume 2*, Chapter 11 – Part B and our *2012 Report – Volume 2*, Chapter 43 each concluded that Cypress RHA had implemented two recommendations. At August 31, 2012, Cypress RHA had more work to do to implement the three remaining recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Cypress RHA's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Cypress RHA's management agreed with the criteria in the original audit.

#### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at September 30, 2014, and Cypress RHA's actions up to that date. We found that Cypress RHA has made some progress on the recommendations, but further work remains.

### 3.1 Configuration and Monitoring Improvements Required

We recommended that Cypress Regional Health Authority configure its computer systems and data to protect them from external threats including theft or loss. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

**Status – Partially Implemented**



We recommended that Cypress Regional Health Authority monitor the security controls of its information technology systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

**Status – Partially Implemented**

Most of the IT systems in use at Cypress RHA are systems provided, managed, and hosted by eHealth and 3sHealth. On the computer network that it maintains, Cypress RHA maintains databases for tracking data such as patient and facility resident information and information about staff education and training. In addition, Cypress RHA provides email and network storage for staff. The primary security risks for the information maintained by Cypress RHA relate to confidentiality.

Cypress RHA has taken some steps to improve configuration of its computers and network to protect them from external threats, including theft or loss. For example, Cypress RHA encrypts its laptops. Also, Cypress has implemented a tool so that it receives notification of malware attacks.<sup>1</sup>

However, Cypress RHA has not completed its processes for configuring computers to improve security. It needs to configure computers to log activities and incidents. It needs to address network accounts that have non-expiring passwords. It also needs to implement the policy it has already developed for responding to security incidents.

By not properly configuring its systems and data, not monitoring effectively, and not having policies in place to respond to security incidents, Cypress RHA increases its vulnerability to security incidents.

### 3.2 Testing Required for Disaster Recovery Plan

We recommended that Cypress Regional Health Authority complete, approve, and test its disaster recovery plan. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

**Status** – This recommendation is replaced by the following recommendation in Chapter 19 of this Report, where we recommended that certain regional health authorities, including Cypress RHA:

Establish disaster recovery plans and test those plans to ensure their effectiveness. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

Cypress RHA has a disaster recovery plan. At September 2014, Cypress RHA had not tested the plan. Management indicated it plans to test the disaster recovery plan in late 2014.

Not having a tested disaster recovery plan increases the risk that systems and data will not be available when needed.

<sup>1</sup> "Malware" is an abbreviation for "malicious software," and refers to software programs designed to damage or do other unwanted actions on a computer system (i.e., viruses, worms, Trojan horses, and spyware). Definition taken from [www.techterms.com/definition/malware](http://www.techterms.com/definition/malware) (14 October 2014).



## Chapter 43

### Economy—Regulating Pipelines

#### 1.0 MAIN POINTS

Failure to regulate pipelines effectively could harm people or the environment. This chapter reports on the status of seven recommendations we initially made in our 2012 audit on the Ministry of the Economy's (Economy) processes to ensure compliance with *The Pipeline Act, 2000* and *The Pipeline Regulations, 1998*.

By September 30, 2014, the Economy had implemented two of the seven recommendations, but needs to:

- 1 Establish policies and procedures to guide staff on evaluating ongoing pipeline operations
- 2 Develop a risk-based assessment approach to monitor pipeline construction and verify pressure tests
- 3 Consider seeking responsibility in law to licence flowlines and verify that pipeline operators clean up contaminated sites

#### 2.0 INTRODUCTION

This chapter reports the results of our follow up of seven recommendations we made in our *2012 Report – Volume 1*, Chapter 5 about Economy's processes to ensure full compliance with *The Pipelines Act, 1998* and *The Pipelines Regulations, 2000*.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Management agreed with the criteria in the original audit.

We obtained an update on progress from Economy and reviewed its new policies, procedures, and checklists.

#### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at September 30, 2014, and the Ministry's actions up to that date.

We found that the Ministry has implemented two recommendations, made progress on two recommendations, and had not made progress on the remaining three recommendations.

### 3.1 Need to Establish an Appropriate Management Framework to Monitor Compliance

We recommended that the Ministry of the Economy (formerly Ministry of Energy and Resources) develop written policies and procedures to guide staff when assessing pipeline design, monitoring pipeline construction, and evaluating pipeline operations. (2012 Report – Volume 1; Public Accounts Committee agreement December 9, 2013)

**Status** – Partially Implemented

We recommended that the Ministry of the Economy (formerly the Ministry of Energy and Resources) monitor pipeline operator compliance with integrity management and safety processes for existing pipelines. (2012 Report – Volume 1; Public Accounts Committee agreement December 9, 2013)

**Status** – Not Implemented

The Ministry is required to follow *The Pipelines Act, 1998* and *The Pipeline Regulations, 2000*. This legislation sets the minimum requirements for the design, construction, testing, operation, maintenance, and repair of pipelines to be the Canadian Standards Association Standards – Z662 Standard (Z662 Standard). The Z662 Standard is complex and contains detailed and technical requirements.

In early 2013, the Ministry developed and implemented a set of written policies and procedures to aid staff when reviewing a pipeline construction application and a 'leave to open' application (i.e., approval to use a pipeline).

Because the National Energy Board (NEB) is required to comply with the Z662 Standard, we compared its guidance to the Ministry's written policies and procedures. We found that the Ministry's policies and procedures incorporated the significant application requirements that the NEB prescribes as well as the requirements under *The Pipelines Act, 1998* and *The Pipeline Regulations, 2000*.

In 2014, the Ministry developed a self-audit form for ongoing pipeline operations that it will require pipeline operators to complete. The Ministry expects to receive the first pipeline operator self-assessments in late 2014. However, the Ministry has not established policies and procedures to guide staff on evaluating the completed self-assessments or conduct any other monitoring of ongoing pipeline operations. Also, the Ministry advised us that it expects to amend *The Pipeline Act, 1998* and *The Pipeline Regulations, 2000* to include more substantive provisions regarding pipeline integrity and safety of ongoing pipeline operations.

Without adequate written policies and procedures on all aspects of the Z662 Standard, staff lack the guidance necessary to carry out their work.

We recommended that the Ministry of the Economy (formerly the Ministry of Energy and Resources) consider seeking responsibility in law to verify that pipeline operators clean up contaminated sites to an acceptable condition. (2012 Report – Volume 1; Public Accounts Committee agreement December 9, 2013)

**Status – Not Implemented**

As at September 30, 2014, the Ministry had not made any progress in this area. The Ministry plans to consider this recommendation when it considers amendments to *The Pipeline Act, 1998* and *The Pipeline Regulations, 2000*.

Without the Ministry seeking responsibility in law to verify that pipeline operators clean up contaminated sites to an acceptable condition, there is a risk that no other government agency will accept this responsibility. This could result in land and groundwater becoming contaminated due to insufficient clean-up of spills by pipeline operators.

### 3.2 Need for Risk-Based Monitoring

We recommended that the Ministry of the Economy (formerly the Ministry of Energy and Resources) consistently document its assessments of pipeline license applications for compliance with the law prior to issuing pipeline licenses. (2012 Report – Volume 1; Public Accounts Committee agreement December 9, 2013)

**Status – Implemented**

In 2013, the Ministry implemented checklists for staff members to use when assessing pipeline license applications and 'leave to open' applications. Once completed, it maintains these checklists in the permanent record associated with each licensed pipeline.

We recommended that the Ministry of the Economy (formerly the Ministry of Energy and Resources) assess the resources it requires to fulfill its responsibilities under *The Pipelines Act, 1998*. (2012 Report – Volume 1; Public Accounts Committee agreement December 9, 2013)

**Status – Implemented**

The Ministry identified a number of potential resourcing issues in relation to its regulatory responsibilities for pipelines. As a result, the Ministry hired an additional full-time pipeline engineer in January 2013 to fulfill some of its regulatory responsibilities. The Ministry also purchased some additional equipment (e.g., laptop, truck).



We recommended that the Ministry of the Economy (formerly the Ministry of Energy and Resources) implement a risk-based assessment approach to monitor pipeline construction and verify pressure tests. (2012 Report – Volume 1; Public Accounts Committee agreement December 9, 2013)

**Status – Partially Implemented**

At September 2014, the Ministry had not set a risk-based assessment approach to monitor pipeline construction and verify pressure tests. Rather, the Ministry is using an informal policy to prioritize inspections of pressure tests related to “leave to open” application and pipeline construction over other work. Because of the increase in staff resources noted above, the Ministry has completed notably more inspections related to pipeline construction and pressure tests than in the past.

Having a specific risk-based assessment approach provides Ministry staff with clear priorities to guide their work to monitor pipeline construction and verify pressure tests.

### **3.3 Flowlines Currently Not Licensed**

We recommended that the Ministry of the Economy (formerly the Ministry of Energy and Resources) consider seeking responsibility in law to license flowlines. (2012 Report – Volume 1; Public Accounts Committee agreement December 9, 2013)

**Status – Not Implemented**

At September 30, 2014, the Ministry had not made progress in this area. The Ministry expects to consider the need to license flowlines during the 2015-16 fiscal year. It expects this will include its decision on whether changes to the law are necessary.



## Chapter 44

### Education—Transporting Students Safely

#### 1.0 MAIN POINTS

Over 74,000 Saskatchewan children ride school buses each day. In our *2012 Report – Volume 2*, Chapter 36 about processes to safely transport students, we reported that student transportation requires the Ministry of Education (Ministry) coordination and oversight. By May 2014, the Ministry had taken some initial steps in providing all school divisions with a summary of legislation (including relevant excerpts) related to the transportation of students, and some information related to best practices for transportation of prekindergarten students. In addition, it instructed school divisions who contract transportation services to obtain sufficient information to determine whether their contractor meets legislated requirements for safe student transportation. Further Ministry coordination and oversight would help to ensure school divisions use effective strategies to manage the condition of vehicles, the performance of drivers, the behaviour of students on the bus, and collision risks.

For the six school divisions that we had audited in 2012, most made some improvements to their processes to transport students safely. Five of these school divisions have further work to do in the following areas. Not all school divisions who use private companies to transport some or all of their students provide them with all of the applicable transportation-related legislation, set clear expectations, or receive reports on how those contractors comply with transportation-related laws and maintain vehicles used to transport students. Also, not all school divisions sufficiently appraise driver performance, and carry out bus evacuation drills. Such strategies are key to keeping students safe while they are being transported to and from school.

#### 2.0 INTRODUCTION

The Ministry is responsible for all matters related to early learning, elementary, and secondary education. It is expected to provide leadership and coordination in these areas. School divisions are responsible for administering schools and for managing student transportation.

Transporting students safely is a complex process influenced by four key factors or risk areas:

- › Vehicle condition (maintenance, age, nature of vehicle such as bus or van)
- › Bus driver competence (knowledge of laws, skill, rapport with students)
- › Student behaviour while bus is moving (stay seated, avoid distracting the driver)
- › Collision risks (bus route, road conditions, weather)



## 2.1 Focus of the Follow-Up

This chapter describes our follow-up of management's actions on each recommendation we made in our *2012 Report – Volume 2*, Chapter 36. Chapter 36 reported that the Ministry of Education did not effectively oversee school divisions' processes to safely transport students and we made eight recommendations. Chapter 36 also reported that, for the same period, the six school divisions we audited (see **Figure 1**) had, other than for three areas, effective processes to safely transport students. We made six recommendations (one for each school division). Five of these recommendations included several areas where improvement was needed (see **Figure 1** for a breakdown). In general, these school divisions needed to:

- › Align transportation policies and practices with legislated requirements
- › Manage transportation safety risks related to driver performance (e.g., defensive driver training)
- › Monitor the performance of contracted transportation services

**Figure 1—Listing of School Divisions Included in 2012 Audit and Number of Areas Included in Each 2012 Recommendation**

Name of School Division	Number of Areas of Improvement Included in Each Recommendation
Prairie Valley School Division No. 208	1
Northwest School Division No. 203	2
Chinook School Division No. 211	4
Good Spirit School Division No. 204	4
Prince Albert Roman Catholic Separate School Division No. 6	7
St. Paul's Roman Catholic Separate School Division No. 20	7
<b>Total</b>	<b>25</b>

Source: Provincial Auditor Saskatchewan 2012.

**Section 3.0** describes the Ministry's actions for the eight recommendations related to the Ministry. **Section 4.0** describes the actions of each of the school divisions for its related recommendations.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's and each school division's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Ministry management agreed with the criteria in the original audit.

We reviewed and assessed the information provided and discussed actions with key individuals. We also reviewed information available through the school division websites.

### 3.0 STATUS OF MINISTRY OF EDUCATION RECOMMENDATIONS

This section sets out each recommendation, the status of the recommendation at May 31, 2014, and the Ministry's actions up to that date. We found that the Ministry has implemented one recommendation, partially implemented one recommendation, and has not implemented the other six recommendations.

#### 3.1 Ministry Identified Legislative Requirements

We recommended that the Ministry of Education provide school boards with a summary of current legislation related to transporting students and request that each School Board review reports showing that its school division complies with legislated transportation requirements. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

In a letter dated May 29, 2014, the Ministry provided school divisions with a document titled *Student Transportation Legislation and Best Practices*. This document outlines current legislation (including relevant excerpts) related to the transportation of students, including prekindergarten children, and provides some information related to best practices for transportation of prekindergarten students.

By May 2014, the Ministry had not asked each School Board to confirm its division complied with legislated transportation requirements.

School Boards are ultimately responsible for transporting students safely. If School Boards do not receive information that allows them to monitor compliance with legislated transportation requirements, they cannot effectively fulfill their oversight role.

#### 3.2 Ministry Requires School Divisions to Obtain Reports from Contractors

We recommended that the Ministry of Education require school divisions that contract transportation services to obtain written reports from contractors outlining how the contractor complies with legislated requirements for safe student transportation. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

In the same May 29, 2014 letter to school divisions, the Ministry stated that "School divisions who contract transportation services should be obtaining written reports from contractors outlining how the contractor complies with legislated requirements for safe student transportation". As such, the Ministry instructed school divisions that contract



transportation services to obtain sufficient information to determine whether their contractor meets legislated requirements for safe student transportation.

### 3.3 Ministry Recommendations Not Implemented

By May 2014, the Ministry had not made progress on the six recommendations set out in **Figure 2**. The Ministry informed that this was due to other work on student transportation. In response to requests from school divisions, the Ministry first focused on determining best practices for transporting prekindergarten students safely. In addition, the Ministry told us that it undertook a review of the funding methodology for student transportation. The Ministry scheduled this review to be done prior to implementing the remaining audit recommendations to ensure a coordinated approach.

**Figure 2—Ministry Recommendations Not Implemented as of May 31, 2014**

Recommendation	Status
We recommended that the Ministry of Education work with school divisions to identify key risks to safe student transportation and cost-effective options for managing those risks. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)	Not Implemented
We recommended that the Ministry of Education work with school divisions to identify relevant student transportation performance information that should be reported to school boards quarterly and annually to help them supervise student transportation. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)	Not Implemented
We recommended that the Ministry of Education establish and provide guidance to school divisions about the distance for students to be transported to school including requesting school boards approve any exceptions to their school divisions' policies. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)	Not Implemented
We recommended that the Ministry of Education provide guidance to school divisions for consistent, written, and timely processes to track and resolve complaints about safe student transportation. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)	Not Implemented
We recommended that the Ministry of Education require school divisions to report to their school boards the strategies they use to reduce risks related to vehicle condition, driver competence, student behavior, and collisions. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)	Not Implemented
We recommended that the Ministry of Education require school divisions to provide school boards and the Ministry with written reports about outstanding risks and unresolved complaints. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)	Not Implemented

Source: Provincial Auditor Saskatchewan 2014.

## 4.0 STATUS OF SCHOOL DIVISIONS' RECOMMENDATIONS

In this section, for each school division, we set out the area covered in our 2012 recommendations, the status of the recommendations at May 31, 2014, and the school division's actions up to that date. See **Figure 3** for a summary of the results of our follow-up for each school division.



**Figure 3—Summary of Results by School Division for Areas included in 2012 Recommendations**

Name of School Division	Implemented	Partially Implemented	Not Implemented	Number of Areas
Prairie Valley School Division No. 208	1	-	-	1
Northwest School Division No. 203	1	-	1	2
Chinook School Division No. 211	-	2	2	4
Good Spirit School Division No. 204	-	3	1	4
Prince Albert Roman Catholic Separate School Division No. 6	6	-	1	7
St. Paul's Roman Catholic Separate School Division No. 20	2	3	2	7
<b>Total</b>	<b>10</b>	<b>8</b>	<b>7</b>	<b>25</b>

Source: Provincial Auditor Saskatchewan 2014.

## 4.1 Prairie Valley School Division

We recommended that Prairie Valley School Division No. 208 document student participation in timely bus evacuation drills and driver identified evacuation risks. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

### Status – Implemented

Since the beginning of the 2013-14 school year, Prairie Valley School Division No. 208 (Prairie Valley) developed a new process which requires drivers to complete a bus evacuation drill in the fall of each year with the School Administrator present. The School Administrator then completes and submits a form to verify that the evacuation drill was conducted. Bus drivers conduct a second evacuation drill during the spring of each year, then complete and submit a form. The results of these drills are reported to the School Board as part of the Quarterly Transportation Report.

Prairie Valley's bus drivers are also required to submit risk assessments for risks that they have identified specific to their route. For example, in one case, a bus driver, whose passengers included a student in a wheelchair, a student in a walker, two autistic students, and 20 other students, identified a safe evacuation challenge. Prairie Valley subsequently established a documented process to help ensure a safe evacuation plan for this route.



## 4.2 Northwest School Division

We recommended that Northwest School Division No. 203 provide school bus drivers annually with legislated requirements to transport students safely. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

Northwest School Division No. 203 (Northwest) provides all bus drivers in Northwest, both contracted and division hired, with a copy of the *Bus Driver Handbook*. This Handbook includes copies of applicable legislation as well as Bus Driver Responsibilities.

Northwest provides this information when a bus driver is hired, and annually during the bus driver in-service day, which is held in the fall.

We recommended that Northwest School Division No. 203 reference all relevant legislation within its busing contracts to align its transportation requirements with legislation and regulations. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Not Implemented**

Northwest has not renewed its contracts with the contracted transportation service providers (contractor) in that the term of the contracts is in effect from August 2010 until June 30, 2015. As previously reported, the contracts in effect do not reference all relevant legislation related to transportation.

If contracts do not reference all relevant legislation, then Northwest may have difficulty holding the contractor accountable for complying with this legislation.

## 4.3 Chinook School Division

We recommended that Chinook School Division No. 211 reference all relevant legislation within its busing contracts to align its transportation requirements with legislation and regulations. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Not Implemented**

Chinook School Division No. 203 (Chinook) has not renewed its contracts with the contracted transportation service providers, as the contract term is from August 29, 2011 until June 30, 2014. Additionally, Chinook has two rolling contracts. It has indicated that the legislative requirements will be updated into all contracts in June 2014. Per direction provided by the Ministry in May 2014, Chinook should ensure the

contracted transportation services provider (contractor) complies with the specific legislation.

If contracts do not reference all relevant legislation, then Chinook may have difficulty holding the contractor accountable for complying with this legislation.

We recommended that Chinook School Division No. 211 define what is expected of contractors that provide student transportation services, including required reports. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

Since January 2012, Chinook has required its contractors to report annually on bus fleet information,<sup>1</sup> driver information, results of emergency evacuation drills, Saskatchewan Government Insurance (SGI) bus safety certificates, and carrier profiles.<sup>2</sup> Additionally, Chinook requires its contractors to submit a monthly work order summary report and a monthly log of days driven. However, Chinook is not receiving information from contractors about their periodic driver performance assessments.

If Chinook does not receive this information, there is a risk that drivers may not perform at the expected level, which can in turn impact student safety.

We recommended that Chinook School Division No. 211 implement a driver appraisal process. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Not Implemented**

Chinook indicated to us that it does not feel at this time that implementation of a driver appraisal process will add significantly to the licensing and medical reporting procedures already required by SGI's regulatory framework. Management indicated that it does not plan any further action on this recommendation.

The 2014 *SGI Saskatchewan Professional Driver's Handbook* requires a bus driver to pass written exams, driving exam, and submit a valid medical record to SGI to receive an "S" class driver's license. SGI requires bus drivers to retake the driving exam once every five years. Additionally, SGI requires bus drivers to submit a medical report every five years for bus drivers between the ages of 18 and 45, or every three years for bus drivers between the ages of 46 and 65, or annually for bus drivers who are 66 years old or older.

Chinook's sole reliance on the SGI licensing and medical reporting process means it will not monitor driver performance in the intervening five-year period. *The Education Act*,

<sup>1</sup> Includes type of bus, serial VIN number, bus capacity, and the license plate number.

<sup>2</sup> A motor carrier's performance ratings based on the carrier's two-year record of "at fault" accidents, convictions, and on-road Commercial Vehicle Safety Alliance inspections.



1995 (section 196(b)), requires a school division to have policies regarding the supervision of drivers. By not implementing a driver appraisal process Chinook will not know how bus drivers are performing or if there are areas of concern or additional training needed (e.g., defensive driving). As a result, there is a risk that drivers may not perform at the expected level, which can in turn impact student safety.

We recommended that Chinook School Division No. 211 document complaints about student transportation and how the complaints were resolved. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

In June 2012, Chinook implemented a Complaint Policy under which it documents and resolves complaints received. It indicates that, at May 2014, it lacks the capability to adequately track the progress of complaints. To allow it to adequately document and track the progress of complaints, Chinook is considering adding a complaint/incident tracking module to its current route planning software application.

If the resolution of complaints are not documented, Chinook may be at risk of not being able to demonstrate that it had investigated complaints and could be accused of exhibiting a lack of attention to student safety.

## 4.4 Good Spirit School Division

We recommended that Good Spirit School Division No. 204 provide school bus drivers annually with legislated requirements to transport students safely. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Not Implemented**

Good Spirit School Division No. 204 (Good Spirit) has not provided bus drivers with all of the legislated requirements related to transporting students safely, as directed by the Ministry of Education. Rather, it continues to provide drivers with only a portion of the legislation. The document the Ministry provided school divisions in May 2014 titled *Student Transportation Legislation and Best Practices* contains the information needed to communicate to bus drivers.

The legislative requirements are designed to help ensure students are transported safely. Not providing school bus drivers with all relevant legislation increases the risk that Good Spirit's drivers may not transport students safely.



We recommended that Good Spirit School Division No. 204 implement a driver appraisal process. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

Good Spirit plans to implement a driver appraisal survey in the fall of 2014. Each year, it expects, through an anonymous survey tool, to randomly survey driver performance for 10% of the division's bus routes. It is basing the appraisal system on cleanliness of the bus, timeliness of bus routes, childrens' experience, driver interaction with children and parents, and safety concerns.

We recommended that Good Spirit School Division No. 204 document student participation in timely bus evacuation drills and driver identified evacuation risks. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

Since the 2013-14 school year, Good Spirit requires an evacuation drill to be conducted at least twice a year (i.e., fall and spring) and a supervisor or the school's principal to monitor all drills. Beginning in the fall of 2014, Good Spirit plans to require bus drivers to submit Evacuation Drill Forms to indicate that drills have been completed, and to identify any risks or concerns identified by bus drivers during the drills.

We recommended that Good Spirit School Division No. 204 document complaints about student transportation and how the complaints were resolved. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

During the 2013-14 fiscal year, Good Spirit received complaints via phone call or sometimes in writing. It forwarded complaints regarding transportation safety to the Transportation Manager for follow up.

In 2013-14, Good Spirit developed a Parental/Community Concerns Form. These forms will allow parents to provide, in writing, the nature and details of complaints. Good Spirit plans to implement the use of these forms during its 2014-15 fiscal year.

## 4.5 Prince Albert Roman Catholic Separate School Division

We recommended that Prince Albert Roman Catholic Separate School Division No. 6 reference all relevant legislation within its busing contracts to align its transportation requirements with legislation and regulations. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Not Implemented**

Prince Albert Roman Catholic Separate School Division No. 6 (Prince Albert RCSSD) has not updated its contract with the transportation service provider (contractor) since August 31, 2012. At May 2014, it was in the second year of a five-year contract, and was planning on including the required legislation in future contract negotiations.

If contracts do not reference all relevant legislation, then Prince Albert RCSSD may not be able to hold the contractor accountable for complying with this legislation.

We recommended that Prince Albert Roman Catholic Separate School Division No. 6 implement processes to monitor its contractor's driver appraisal process. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

Starting in May 2014, Prince Albert RCSSD's contractor provides it with three driver appraisals a month (30 annually). The driver appraisal reports include New Driver Classroom Training form, Skills Station Training Evaluation form, and an On-the-Road Training Evaluation form.

We recommended that Prince Albert Roman Catholic Separate School Division No. 6 implement processes to monitor its contractor's vehicle maintenance processes. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

All buses used by Prince Albert RCSSD's contractor are subject to preventative maintenance inspections every 90-days (90-Day Maintenance Inspection Reports). Starting in May 2014, Prince Albert RCSSD's contractor provides it with three Vehicle Inspection reports per month (30 annually) and twelve 90-Day Maintenance Inspections reports (120 annually). The Vehicle Inspection Reports include the Injury Prevention form and the School Bus and Bus Inspection Certificate form (issued by SGI). The 90-Day Maintenance Inspections report is a Preventative Maintenance and Servicing worksheet.

We recommended that Prince Albert Roman Catholic Separate School Division No. 6 implement processes to monitor its contractor's bus evacuation processes.

(2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

Since May 2014, Prince Albert RCSSD's contractor conducts school bus evacuation drills twice annually, and provides it with the Evacuation Drill Forms for review. The Evacuation Drill Forms are signed by the bus driver and the individual who monitored the evacuation; the contractor then provides approval. If there are any issues or identified risks, the contractor will discuss the issue with Prince Albert RCSSD.

We recommended that Prince Albert Roman Catholic Separate School Division No. 6 define expectations and reporting requirements with contractors. (2012

Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

Starting in May 2014, Prince Albert RCSSD has set a review process, which in addition to contractor reporting, involves on-site audits of the following information by the Chief Financial Officer:

- › Driver Appraisals – its busing contractor's monthly driver appraisals
- › Annual Vehicle Inspections – the results of its contractor's monthly bus inspections
- › 90-Day Maintenance Inspections – results of its contractor monthly maintenance inspections
- › Bus Evacuation Drills – results of its contractor bus evacuation drills

We recommended that Prince Albert Roman Catholic Separate School Division No. 6 periodically report to its board regarding the performance of student transportation. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

In May 2014, Prince Albert RCSSD had prepared a policy requiring its Chief Financial Officer (CFO) to give an annual transportation report to the Board. This annual transportation report is to include information about the contractor's driver appraisals, driver training, vehicle inspections, vehicle maintenance, and bus evacuation processes. The Board of Prince Albert RCSSD received its first report in June 2014. The report included the information required by policy.



We recommended that Prince Albert Roman Catholic Separate School Division No. 6 document complaints about student transportation and how the complaints were resolved. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

During the 2013-14 fiscal year, Prince Albert RCSSD received all complaints either via phone or email. These complaints were recorded by the CFO on a complaint form, which included the issue and action on resolution. The CFO contacted the contractor to follow up with the bus driver, and the contractor advised on what action was taken.

## **4.6 St. Paul's Roman Catholic Separate School Division**

We recommended that St. Paul's Roman Catholic Separate School Division No. 20 reference all relevant legislation within its busing contracts to align its transportation requirements with legislation and regulations. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Not Implemented**

St. Paul's Roman Catholic Separate School Division No. 20 (St. Paul's RCSSD) has not renewed its contract with its transportation service provider since August 31, 2012. It expects to renegotiate its contract in August 2014, and plans to include the above-required legislation in contract negotiations.

If contracts do not reference all relevant legislation, then St. Paul's RCSSD cannot hold the contractor accountable for complying with this legislation.

We recommended that St. Paul's Roman Catholic Separate School Division No. 20 implement processes to monitor its contractor's driver appraisal process. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

St. Paul's RCSSD has verified its contractor's driver appraisal process and made arrangements to allow it to review contractor driver appraisals upon request. However, it has not required its contractor to provide it with regular reports on appraisal results or driver appraisal information. If St. Paul's RCSSD does not receive driver appraisal information on a regular basis, then there is a risk that it will not have information to know that the contractor's appraisal process is operating as intended.



We recommended that St. Paul's Roman Catholic Separate School Division No. 20 implement processes to monitor its contractor's vehicle maintenance processes. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

Starting in January 2013, St. Paul's RCSSD receives a 90-Day Maintenance Inspection Report annually from its contractor that includes a Preventative Maintenance and Servicing worksheet detailing all the inspections and maintenance conducted. Additionally, St. Paul's RCSSD receives, upon request, an Equipment Preventative Maintenance Report that summarizes when preventative maintenance is performed on each bus.

Not receiving and reviewing information on the results of contractor's vehicle maintenance periodically throughout the school year increases the risk that school buses may not be sufficiently maintained.

We recommended that St. Paul's Roman Catholic Separate School Division No. 20 implement processes to monitor its contractor's bus evacuation processes. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

Starting in January 2013, St. Paul's RCSSD receives a listing of evacuation drills twice annually from its contractor. The contractor's listing provides a listing of evacuation drills which were completed during the period, and will include any issues or concerns bus drivers have identified during the evacuation drills.

We recommended that St. Paul's Roman Catholic Separate School Division No. 20 define expectations and reporting requirements with contractors. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

St. Paul's RCSSD has defined expectations and reporting requirements required by its contractor including:

- Driver Appraisals – St. Paul's RCSSD has verified that its contractor has a driver appraisal program, and that it can request driver appraisal reports regarding driver performance from the contractor.
- Vehicle Maintenance – St. Paul's RCSSD receives from its contractor a 90-Day Maintenance Inspection Report annually and an Equipment Preventative Maintenance Report annually.



- › Bus Evacuation Processes – St. Paul's RCSSD receives a listing of evacuation drills completed twice annually.
- › Summary of Complaints – St. Paul's RCSSD has confirmed its contractor receives all transportation-related complaints and will provide a summary of complaints, upon request.

While St. Paul's RCSSD has ensured it has access to sufficient information from its busing contractor, it has not required the contractor to provide this information frequently enough to enable sufficient monitoring of its busing contractor.

We recommended that St. Paul's Roman Catholic Separate School Division No. 20 periodically report to its board regarding the performance of student transportation. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

Since September 2013, St. Paul's RCSSD has required a quarterly transportation report be submitted to the Board. The quarterly report provides information regarding risks and issues that the contractor has identified with transportation services for St. Paul's RCSSD. During the 2013-14 fiscal year, the report was presented to the Board in September 2013, December 2013, and April 2014.

We recommended that St. Paul's Roman Catholic Separate School Division No. 20 document complaints about student transportation and how the complaints were resolved. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Not Implemented**

St. Paul's RCSSD has not compiled information regarding transportation-related complaints received and resolved during the 2013-14 fiscal year; rather, all reports are currently filed within the contractor's employee files.

St. Paul's RCSSD has indicated that, at May 2014, its contractor was implementing a complaint reporting process, and will provide reports to St. Paul's RCSSD twice annually. It expects this process to be implemented by September 15, 2014.

## Chapter 45

### Finance and Environment—Contaminated Sites

#### 1.0 MAIN POINTS

Contaminated sites<sup>1</sup> can pose risks to public health and safety if not properly managed. Where the provincial government has caused contamination or accepted responsibility for cleanup of contaminants, it must assess the contamination and decide on actions and costs required to address it.

As of August 29, 2014, the Ministry of Environment (Environment) and the Ministry of Finance (Finance) have fully addressed three of the eight recommendations we made in two previous audits: one audit related to assessing, tracking, and monitoring contaminated sites, and the other audit related to readiness of the Government to account for costs to remediate contaminated sites for which it is responsible. Further work remains on five recommendations.

Environment, as the regulator of contaminated sites, does not have a complete database to track key information (including site assessment information) for contaminated sites. Environment also needs to provide requirements to government agencies for assessing contamination. The database and requirements are needed so that Environment can effectively monitor whether appropriate remedial (cleanup) action is taking place at highly contaminated sites.

Finance needs to complete guidance to government agencies to ensure that funding decisions for cleanup of contaminated sites consider risk and that it has reliable information to properly record the costs that the provincial government expects to pay for cleaning up contaminated sites it is responsible for.

#### 2.0 INTRODUCTION

Regulating contaminated sites is necessary to prevent, minimize, or mitigate potential damage to human or ecosystem health. Under *The Environmental Management and Protection Act, 2002* and related regulations, Environment is responsible for regulating activities that impact the environment. Environment is responsible for identifying contaminated sites located in Saskatchewan and for determining who is responsible for contaminating the sites. It then must ensure detailed assessments and appropriate remediation (cleanup) of the contaminated sites occurs.

Our *2008 Report – Volume 1*, Chapter 4 reported that Environment, in regulating contaminated sites, needed better processes to assess, monitor, and report on the status of contaminated sites. It contained four related recommendations. As reported in our *2011 Report – Volume 2*, Chapter 8, by March 2011, Environment had not fully implemented these recommendations.<sup>2</sup>

<sup>1</sup> Under *The Environmental Management and Protection Act, 2002*, section 11, a contaminated site is an area of land or water that contains a substance that may cause or is causing an adverse effect in a concentration that exceeds an environmental standard. A site requiring reclamation or decommissioning (e.g., abandoned oil wells) may not be contaminated.

<sup>2</sup> Chapter 6 of our *2009 Report – Volume 3* contains the results of our first follow-up. By August 2009, the Ministry of Environment had not implemented any of the four recommendations related to regulating contaminated sites contained in Chapter 4 of our *2008 Report – Volume 1*.



At times, the provincial government has caused contamination or has accepted responsibility for the remediation (cleanup) of contaminates. In these instances, the provincial government must assess the contamination to know and understand what public health and safety risks exist, and decide on actions to address or mitigate those risks. Also, starting April 1, 2014, Canadian public sector generally accepted accounting principles require the Government to account for and report the expected costs to clean up these contaminated sites.<sup>3</sup>

Finance is responsible for preparing the provincial government's Summary Financial Statements<sup>4</sup> in accordance with Canadian public sector accounting standards. Finance needs key information about the Government's contaminated sites to estimate the amounts that the Government expects to pay for cleanup costs and record these costs in the Government's 2014-15 Summary Financial Statements. Gathering this information takes time and the efforts of all government agencies responsible for contaminated sites. Complete and accurate financial reporting of the provincial government's liabilities for contaminated sites is important to reflect the full amount of future public resources required for cleanup.

Our 2013 Report – Volume 1, Chapter 10 reported that at March 2013, the Government was in the early stages of identifying and managing all contaminated sites for which it was responsible. It included four related recommendations. At that time, many government agencies did not have a complete list of all suspected and known sites, did not fully know what public health and safety risks these sites posed, and had not made decisions on the cleanup of all identified sites.

This chapter describes our follow up of management's actions on the eight recommendations (i.e., four recommendations from our 2008 audit of Environment's regulating contaminated sites, and four recommendations from our 2013 audit on the readiness of the Government to account for its liabilities for contaminated sites). Of the eight recommendations, five related to Environment and three related to Finance.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Environment's and Finance's progress towards meeting our recommendations, we used the relevant criteria from the original audits. Management agreed with the criteria in the original audits.

We obtained updates on progress from Finance and Environment, observed Environment's contaminated sites database, and assessed Finance's accounting guidance to government agencies regarding contaminated sites for which the Government is responsible.

### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at August 29, 2014, and Environment and Finance's actions up to that date.

<sup>3</sup> A new Canadian public sector accounting standard, PS3260 – *Liability for Contaminated Sites*, came into effect on April 1, 2014.

<sup>4</sup> These statements consolidate the financial activities of all government agencies (e.g., ministries, school divisions, regional health authorities, and Crown corporations).



The first part focuses on the four recommendations related to Environment's regulatory role; the second part focuses on the four recommendations related to the Government's readiness to address and account for its liabilities related to contaminated sites.

We found Environment implemented two of our recommendations, partially implemented two, and has not implemented one. Finance implemented one of our recommendations and has partially implemented two.

## 4.0 REGULATING CONTAMINATED SITES

### 4.1 Adequate System for Tracking Contaminated Sites Needed

We recommended that the Ministry of Environment establish an adequate system for tracking contaminated sites. (2008 Report – Volume 1; Public Accounts Committee agreement June 16, 2008)

**Status** – Partially Implemented

To be able to regulate contaminated or potentially-contaminated sites effectively to minimize their risk on the environment, Environment needs key information about these sites located in Saskatchewan. We expected Environment to have a standardized system to capture and track key information about each contaminated site completely and accurately. Key information would include site location, site owner, party(ies) responsible for the site, substance responsible for contamination (potential), current information on completed site assessments (date, phase), degree of any contamination (i.e., NCSCS<sup>5</sup> rating), and current information on remediation plans (date, conditions, status of approvals).

While Environment developed and implemented in January 2014 a database for tracking information about contaminated sites, Environment recognizes that the database does not capture all key information, is not fully operational, and not all key information is entered.

For example, the database, as currently designed, does not effectively track the risk rating associated with the contaminated site (e.g., NCSCS rating). Also, Environment does not have the ability to generate useful reports from the database to facilitate its regulatory role. For example, Environment was unable to provide us with a database-generated listing of all contaminated sites and their associated risk rating. At August 2014, Environment was completing its identification of required enhancements to the database and making plans to seek them.

Also, while Environment had entered into the database information on sites identified since the database's January 2014 implementation date, it had not entered any of the

<sup>5</sup> NCSCS rating is a national classification system for contaminated sites used to convey the degree of contamination and required clean-up. Class 1 classification indicates that action is required to address existing concerns for public health and safety.



key data from its manual files. The manual files contain information on sites previously identified as requiring cleanup and monitoring (old active sites). The database also lacks information on sites for which the provincial government is responsible. Environment expects to enter key data on the active contaminated sites after enhancements of its database are made and as these sites require its monitoring.

Without a complete, accurate, and functional database for contaminated sites, Environment cannot effectively track the status of such sites and know which sites are higher risk and require more attention.

## 4.2 Evaluate Risk Assessments Where Required

We recommended that the Ministry of Environment complete its risk assessments for identified contaminated sites and rank them in terms of priority.

(2008 Report – Volume 1; Public Accounts Committee agreement June 16, 2008)

**Status – Partially Implemented**

Sites with suspected or known contaminants require a preliminary site assessment (i.e., Phase 1 assessment) to identify if a site is likely to possess significant environmental concerns. If a site is likely to possess significant concerns, a Phase 2 environmental site assessment (ESA) is needed. Phase 2 ESAs ascertain to what degree a site is contaminated (i.e., NCSCS rating) and what remedial (cleanup) action is required. The lower the NCSCS rating, the higher the priority for action (e.g., NCSCS rating of Class 1 means an environmental site assessment has indicated that action is required to address existing concerns for public health and safety). Environment is responsible for ensuring the site owner's corrective action plan is acceptable and properly addresses the significant risks.

We found Environment has not clearly conveyed what is expected for site assessments associated with contaminated sites (see **Section 5.1**). In addition, Environment does not have an adequate system for tracking site assessment information about contaminated sites (see **Section 4.1**). As a result, Environment was unable to demonstrate that site assessments are complete and reviewed for contaminated sites where required. For example, government agencies that require a Phase 2 ESA do not always have one. Cleanup plans (and prioritization of those cleanup plans) can only be evaluated once detailed site assessments (i.e., Phase 2 ESAs) are complete.

Ensuring risk assessments are completed for contaminated sites reduces the threat of high-risk sites not being given sufficient attention and not being cleaned up within an appropriate timeframe. Delays in cleanup may cause unnecessary damage to public health and safety.

### 4.3 Guidance Provided for Monitoring and Reporting Known Contaminated Sites

We recommended that the Ministry of Environment complete its written guidance for monitoring contaminated sites. (2008 Report – Volume 1; Public Accounts Committee agreement June 16, 2008)

#### **Status – Implemented**

Environment has substantively completed written guidance for the various activities associated with contaminated sites. It has developed documents with respect to the use of its database and expects to continue to do so as its database evolves. Also, it has developed supporting materials for the draft Environmental Code that it expects will come into force in the future.

Environment has completed various guides for site owners and operators of industrial facilities that could or have caused contamination; staff also use these guides. These documents provide guidance on how to identify and remediate (clean up) contaminated sites (including interaction with Environment), and outlines reporting requirements to Environment.

Also, each year, the Environmental Protection Branch (EPB) of Environment completes a branch compliance plan. Staff use the plan to guide operations within the EPB, including the monitoring of contaminated sites and sites that may cause contamination (e.g., storage of hazardous substances, waste, and dangerous goods). The plan outlines the compliance activities (e.g., inspections) that are to be undertaken in a given year at contaminated sites. The plan is based on identified priorities and risks (i.e., high-risk are inspected more frequently than medium-risk sites).

We recommended that the Ministry of Environment prepare a communication plan for internal and external reporting on the status of contaminated sites. (2008 Report – Volume 1; Public Accounts Committee agreement June 16, 2008)

#### **Status – Implemented**

Environment maintains a communication plan for its staff to use for reporting information on contaminated sites. The communication plan is expected to provide senior management, other government agencies, and the public with an understanding of how contaminated sites in Saskatchewan are monitored and addressed. The plan outlines the different stakeholders that may be involved (including the public) when contamination occurs, specifies when communication should occur, and who is responsible for that communication.

Environment maintains a website ([www.saskspills.ca](http://www.saskspills.ca)) that provides the public with information on environmental spills.



## 5.0 GOVERNMENT'S CONTAMINATED SITES

### 5.1 Government's Contaminated Sites Need Better Management

We recommended that the Ministry of Environment take steps to make government agencies fully aware of their responsibilities under the proposed *The Environmental Management and Protection Act, 2010* and the related Environmental Codes. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status – Not Implemented**

At August 2014, 10 different government agencies had identified that they were at risk of being responsible for cleanup costs for suspected or known contamination at about 80 sites.

At the time of our 2013 audit, the proposed *The Environmental Management and Protection Act, 2010* and draft Environmental Code contained specific requirements related to suspected or known contaminated sites (e.g., using a consistent system for classifying the degree of contamination) that were not included in existing legislation or guidance. These proposed requirements, once in effect, would apply to both government and non-government agencies. At the time of our 2013 audit, the Act and Code were not yet in effect and this information was not communicated to government agencies with suspected or known contaminated sites.

As of August 29, 2014, this legislation was still not in force. Also, Environment had not communicated any detailed requirements on managing contaminated sites to government agencies. That is, it had not set out appropriate sampling site assessment approaches<sup>6</sup>, required the use of a consistent system to classify the degree of contamination (i.e., NCSCS), set expected timeframes for developing cleanup plans where action is needed to address public health and/or safety concerns, or defined what information about the contaminated site agencies should track. Environment indicated that it has drafted guidance for government agencies and, if the proposed legislation is delayed further than early 2015, it plans to communicate specific requirements to government agencies by the end of the 2014-15 fiscal year.

These steps would provide the information necessary to ensure timely decisions. As a result, government agencies might not have undertaken the necessary actions to mitigate the safety risks created by contaminated sites in a timely manner.

<sup>6</sup> Assessing a sample of sites suspected of contamination may be an appropriate approach rather than assessing each site individually.



We recommended that Treasury Board require government agencies, when requesting funds for cleanup activities, to use the National Classification System endorsed by the Canadian Council of Ministers of Environment to prioritize cleanup activities where the provincial government is responsible for cleaning up contaminated sites. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

Government agencies need time and resources to assess the degree of contamination and subsequent cleanup plans for contaminated sites, which often results in the hiring of expertise outside of the Government. Each year, Treasury Board in its budget allocation process must decide which sites to assess and/or clean up. For example, Environment's 2014-15 Budget includes a total of \$1.25 million to complete site assessment work at five abandoned northern mine sites. These assessments are needed to formulate a NCSCS classification and determine if future cleanup is needed.

At August 2014, Finance had requested government agencies provide it with NCSCS ratings when submitting lists of contaminated sites; however, not all government agencies provided NCSCS ratings. Finance plans to have agencies use the NCSCS ratings when requesting funds from Treasury Board in the future. Use of the NCSCS ratings would facilitate consistent ranking, across the Government, of public health and safety risks posed by sites for which the provincial government is responsible for cleanup.

## 5.2 Some Accounting Guidance Given for Contaminated Sites

We recommended that the Ministry of Finance set out guidance in the Financial Administration Manual for recording liabilities of contaminated sites to enable complete reporting in the Government's 2014-15 Budget and Summary Financial Statements. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

As previously noted, a new Canadian public sector accounting standard that requires governments to record expected costs to clean up sites where contaminants exceed an environmental standard came into effect on April 1, 2014. As such, the Government's 2014-15 Summary Financial Statements should, for the first time, include these costs and related liabilities.

Under *The Financial Administration Act, 1993*, Finance is responsible for preparing the Summary Financial Statements. To record the Government's liabilities for cleaning up contaminated sites, Finance needs to set out what information government agencies must gather to consistently quantify cleanup costs of contaminated sites.



By August 2014, Finance had distributed accounting guidance for contaminated sites through various documents, emails, and discussions with government agencies. To have this guidance applied consistently and readily accessible, Finance plans to include it in the *Financial Administration Manual* (FAM) by March 31, 2015. Ensuring government agencies continue to use a consistent and reasonable basis for estimating liabilities for contaminated sites is important to reliably reflect the amount of public resources required for future cleanup.

We recommended that the Ministry of Finance set out its information requirements for accounting for costs (budget and actual) associated with the cleanup of contaminated sites. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

Beginning fall of 2013, Finance met with the individual ministries to explain its 2014-15 accounting and budgeting requirements for contaminated sites (e.g., the need for them to determine liabilities for contaminated sites at April 1, 2014, and to obtain approval for incurring contaminated sites remediation costs through the annual budget submissions process).

In early 2014, Finance asked government agencies to submit their lists of contaminated sites, a preliminary estimate of associated 2014-15 liabilities, and basis thereof. At August 2014, Finance was working with these agencies to evaluate the information received along with the budget and accounting implications.

Finance also drafted information requests asking government agencies to provide contaminated site information required for the preparation of the Summary Financial Statements for the year ending March 31, 2015. It plans to send this information to agencies in conjunction with its annual year-end information reporting requirements.

## Chapter 46

### Finance—Internal Audit in Ministries

#### 1.0 MAIN POINTS

The Ministry of Finance (Finance) is the lead ministry for improvements to the effectiveness of internal audit activities of the core government.<sup>1</sup>

In 2012, we identified seven areas to strengthen internal audit in ministries. By June 2014, Finance had strengthened one area – it introduced an Internal Audit Guideline for use by ministries. It also started a project to evaluate how best to organize internal audit for the core government. The project will determine future work with internal audit in ministries.

#### 2.0 INTRODUCTION

Internal audit is an important component of sound governance for public sector organizations. Internal audit provides value to governing bodies and senior management by providing an objective source of independent advice.

Saskatchewan ministries currently use a decentralized internal audit model (see **Figure 1** for a listing of ministries with internal audit functions).

**Figure 1—Internal Audit Functions in Ministries as of June 2014 compared to May 2012**

Ministry	Chief Audit Executive	Number of Internal Audit Positions as of June 30, 2014	Number of Internal Audit Positions as of May 25, 2012
Advanced Education	Director	3	5
Central Services	Director	4	4
Economy	Manager	3	0
Environment	None	2	2
Finance	Director	10*	11
Health	Director	2	0
Justice	Director	3	4
Social Services	None	1**	4

Source: Adapted from the Government of Saskatchewan Directory as of June 30, 2014.

\*Includes Executive Director acting as Director and two vacant positions.

\*\*Position is titled "Program Auditor."

Finance is the lead ministry for improvements to the effectiveness of internal audit, risk management, and internal controls related to the core government's finances. In response to the Government's goal of "Delivering Responsive and Responsible Government," Finance's *Plan for 2014-15* includes a goal for "Effective policy,

<sup>1</sup> Core government is primarily government ministries.



processes, and oversight that supports excellence in governance and ensures accountability and compliance.”<sup>2</sup> This goal has the following two key actions related to internal audit: “Assess the internal controls of the Government’s financial systems and assist in the development and implementation of improvements where required, and assess the internal audit function across government.”<sup>3</sup>

Our 2012 Report – Volume 2, Chapter 30 included the results of our evaluation of whether, at June 2012, internal audit functions in six ministries (see **Figure 1**) followed best practices – the Standards set by the Institute of Internal Auditors (IIA).<sup>4</sup> We noted that, in general, the decentralized internal audit model in use was not working effectively. Also, while we observed that these ministries used many examples of good practices for internal audit, the chapter highlighted areas where they did not comply with IIA Standards, and included seven recommendations to the Ministry of Finance.

This chapter describes the results of our follow-up of Finance’s actions on implementing those seven recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Finance’s progress towards meeting our recommendations, we used the relevant criteria from the original audit. Finance agreed with the criteria in the original audit.

We enquired and reviewed evidence of Finance’s actions up to June 30, 2014. We reviewed and assessed internal audit guidance published by Finance in the *Financial Administration Manual*. We also reviewed minutes of the newly-formed internal audit best practices group.

### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation, the status of the recommendation at June 30, 2014, our expectations (in italics), and Finance’s actions up to that date. We found that Finance had implemented one recommendation, partially implemented five, and has work to do on the remaining recommendation.

#### 3.1 Standard Internal Audit Charter Implemented

We recommended that the Ministry of Finance implement a standard internal audit charter that aligns with Institute of Internal Auditor Standards. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

*The internal audit charter is a formal document that defines internal audit’s purpose, authority, and responsibility. The charter establishes the positioning of internal audit*

<sup>2</sup> Ministry of Finance, *Plan for 2014-15*, p. 4.

<sup>3</sup> Ibid.

<sup>4</sup> The Institute of Internal Auditors (IIA) is a guidance-setting body established in 1941. The IIA is the internal audit profession’s recognized authority, with the certified internal auditor as the primary professional designation offered by the IIA.



*within the organization, thereby providing the authority for internal audit to access records and personnel in the course of its work. An audit committee should review and approve the charter on a regular basis.*

Finance introduced an Internal Audit Guideline (Guideline) in the *Financial Administration Manual* on January 24, 2014 for use by ministries. The Guideline contains an internal audit charter template that aligns with the Institute of Internal Auditor Standards.

### 3.2 Sharing of Methodology and Audit Tools Started

We recommended that the Ministry of Finance and ministries collaborate on methodology and tools to support risk-based internal audit planning. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

*Risk management encompasses the identification, assessment, prioritization and mitigation of risks. The results of risk assessments are critical to internal audit. They support the development of risk-based audit plans that focus resources on the highest risk areas of the ministry. Without a risk-based internal audit plan, internal audit may be focusing its efforts in the wrong areas.*

A best practices group of ministry internal audit leaders, including Finance, began meeting/collaborating quarterly in September 2013. By June 2014, this collaboration had not yet resulted in common methodologies and tools to support risk-based planning.

### 3.3 Assessment of Organizational Models for Internal Audit Underway

We recommended that the Ministry of Finance evaluate various organizational models for internal audit. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

*Various organizational models for internal audit exist and are in use. As previously noted, Saskatchewan ministries' existing decentralized internal audit model is not working effectively. Most Canadian provinces have centralized their internal audit functions. In some instances, the entire function is centralized. In others, the reporting and methodologies are centralized with some internal audit staff remaining physically located within separate ministries. Evaluation of organizational models for internal audit would include a thorough analysis of the pros and cons of various organizational models.*

At June 30, 2014, Finance started a project to evaluate organizational models for internal audit across ministries. The project is in the early stages of planning and research.



Finance indicated it would provide a more comprehensive update on the progress of the project in spring of 2015.

### **3.4 Quality Assurance Program and Collaborative Work on Internal Audit Structures, Competencies, and Risk-Based Planning Needed**

We recommended that the Ministry of Finance implement effective quality assurance programs for internal audit. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Not Implemented**

We recommended that the Ministry of Finance work with ministries to:

- Implement appropriate internal audit reporting structures to support effective internal audit

- Ensure that internal auditors have appropriate competencies

- Develop risk-based internal audit plans

(2012 Report – Volume 2; Public Accounts Committee has not yet considered these recommendations)

**Status – Partially Implemented**

As noted in **Section 3.2**, a best practices group of ministry internal audit leaders, including Finance, began meeting quarterly in September 2013. The group discussed internal audit competencies and risk-based planning.

As mentioned in **Section 3.3**, Finance has a project underway to evaluate organizational models for internal audit and assess existing internal audit functions across ministries. Finance expects to use the results of the evaluation of the organizational model of internal audit in ministries along with its Internal Audit Guideline to set future work with internal audit in ministries.

## Chapter 47

### Finance – Quality of Annual Reports

#### 1.0 MAIN POINTS

By July 31, 2014, the Ministry of Finance (Finance) had implemented the recommendation we made in our *2011 Report – Volume 2* to encourage Ministries and Treasury Board agencies to disclose performance targets for their performance measures in their annual reports.

Finance updated the Government's Planning and Accountability Framework to include performance targets. The *Annual Report Guide*, which directs annual report preparation for Ministries and Treasury Board agencies, has been updated to reference the revised framework, best practices in performance reporting, and our prior recommendation. Also, we found that most of the agencies we selected included performance targets in their 2013-14 annual reports.

#### 2.0 INTRODUCTION

For many years, we have encouraged meaningful public reporting and improvements to public performance reports by the Government and its agencies. Through various reports, we have reminded the Legislative Assembly of the importance of annual reports for government accountability.<sup>1</sup> Through these reports, we provided legislators with our assessments of the quality of the Government's annual reporting guidelines and the content of annual reports of various government agencies.<sup>2</sup>

This chapter describes our follow-up of actions taken by Finance on the recommendation we made in our *2011 Report – Volume 2*, Chapter 26B. This recommendation was the result of our assessment of annual reports of certain ministries and Treasury Board agencies, and of Finance's related guidance against best practices for public performance reporting.<sup>3</sup>

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Finance's progress towards meeting our recommendation, we used the relevant criteria from the original audit. To conduct our work, we examined guidance provided by Finance to government agencies regarding the content of annual reports. We also examined the content of certain annual reports.

<sup>1</sup> *2008 Report – Volume 3* (Chapter 20 – Government Accountability) and *2009 Report – Volume 3* (Chapter 19 – Government Accountability).

<sup>2</sup> *2005 Report – Volume 1* (Chapter 12 – Crown Investments Corporation of Saskatchewan), *2006 Report – Volume 3* (Chapter 14 – Public Plans and Annual Report Assessments), *2007 Report – Volume 3* (Chapter 9 – Finance), and *2011 Report – Volume 2* (Chapter 26 – Quality of Annual Reports).

<sup>3</sup> Best practices are set out in the *Statement of Recommended Practice SORP-2 Public Performance Reporting*, published by the Canadian Public Sector Accounting Board (PSAB) and in *Public Performance Reporting – Guide to Preparing Public Performance Reports*. The *Guide* is a companion document to SORP-2. The *Guide* is available at [www.frascanada.ca/standards-for-public-sector-entities/resources/reference-materials/item14604.pdf](http://www.frascanada.ca/standards-for-public-sector-entities/resources/reference-materials/item14604.pdf) (15 August 2014).



### 3.0 STATUS OF RECOMMENDATION

This section sets out the recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at July 31, 2014, and Finance's actions up to that date.

#### 3.1 Agencies Encouraged to Disclose Performance Targets

We recommended that the Ministry of Finance encourage ministries and Treasury Board agencies to disclose performance targets for their performance measures in their annual reports. (2011 Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

**Status** – Implemented

Finance leads the Government's accountability system for ministries and Treasury Board agencies (agencies). In 2013, Finance updated the Government of Saskatchewan's Planning and Accountability Framework to include "financial and non-financial measures and targets" as part of performance measurement and reporting.<sup>4</sup> Finance expects agencies to fully implement the revised framework within three to five years.

Each year, Finance updates its *Annual Report Guide* to assist agencies in preparing annual reports. While the *2013-14 Annual Report Guide*<sup>5</sup> did not explicitly require agencies to include performance targets in their annual reports, it highlights disclosure of performance targets as best practice. For example, the *Guide* refers to the recent changes to the Government's Planning and Accountability Framework and reinforces expected implementation of the changes. Also, one of the *Guide*'s appendices describes key principles of public reporting included in SORP-2<sup>3</sup> and includes an electronic link to our *2011 Report – Volume 2*, Chapter 26B.

We assessed the most recently available annual reports of selected agencies, as outlined in **Figure 1**, to determine whether agencies are disclosing performance targets for their performance measures in their annual reports. We found that all annual reports except one contained performance targets.

<sup>4</sup> <http://finance.gov.sk.ca/PlanningAndReporting/PlanningandAccountabilityFrameworkDiagram.pdf> (15 August 2014).

<sup>5</sup> <http://finance.gov.sk.ca/PlanningandReporting/2013-14AnnualReportGuidelines.pdf> (9 September 2014).

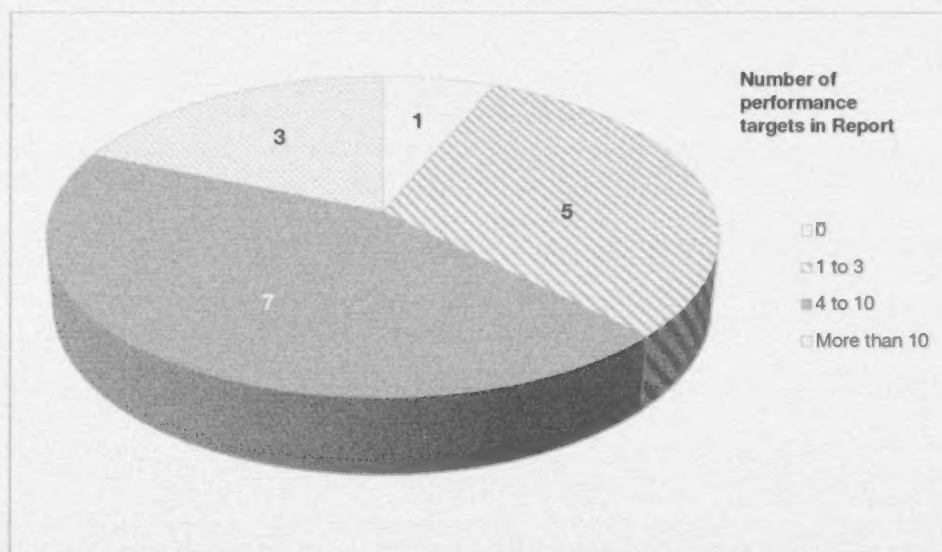


**Figure 1—Listing of Selected Ministries and Treasury Board agencies\***

Ministries (year ended March 31, 2014)	Treasury Board Agencies (year ended March 31, 2014 unless otherwise noted)
Advanced Education	Saskatchewan Crop Insurance Corporation
Agriculture	Saskatchewan Liquor and Gaming Authority
Education	Regina Qu'Appelle Regional Health Authority
Economy	Saskatoon Regional Health Authority
Finance	Saskatchewan Institute of Applied Science and Technology – SIAST (June 30, 2013)
Government Relations	Workers Compensation Board (December 31, 2013)
Health	
Highways and Infrastructure	
Central Services	
Social Services	

\* The agencies listed are similar to those we assessed in 2011.<sup>9</sup>

As shown in **Figure 2**, the number of performance targets included in annual reports varied. Also, targets for certain measures listed in the reports were still under development. For most of the targets disclosed, consistent with best practice, the reports compared actual results to the performance targets.

**Figure 2—Selected Agencies with Performance Targets in Annual Reports**

Source: Provincial Auditor of Saskatchewan (September 2014).

<sup>9</sup> Changes resulted from the government reorganization of ministries in May 2012.



## Chapter 48

### Health—Regulating Personal Care Homes

#### 1.0 MAIN POINTS

The Ministry of Health (Ministry) is responsible for regulating personal care homes in the province. In 2012, we reported that the Ministry did not have fully effective processes to regulate personal care homes. By September 22, 2014, the Ministry had taken various steps to better regulate personal care homes (i.e., use of a risk-based approach to inspect high-risk homes) and inform the public of the results of its inspections. By late 2014, it expects to implement a more efficient data management system to track personal care home inspections and findings.

#### 2.0 INTRODUCTION

The Ministry is responsible for regulating personal care homes in the province. Personal care homes are privately-owned facilities that provide accommodation, meals, and personal care to residents.

*The Personal Care Homes Act, 1991* and regulations give the Ministry authority to license and inspect privately-owned personal care homes in the province. The Ministry is responsible for setting licensing requirements and standards for personal care homes. The Ministry is also responsible for inspecting personal care homes to ensure they meet established standards.

Our *2012 Report – Volume 2*, Chapter 34 concluded that the Ministry did not have fully effective processes to regulate personal care homes in accordance with *The Personal Care Homes Act, 1991*. We made five recommendations. This chapter describes the results of our follow-up of management's actions towards addressing those recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry agreed with the criteria in the original audit.

We based our findings on our examination of the Ministry's policies, processes, directions to staff, relevant communications to personal care homes, and testing of some personal care home files.



### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation, the status of each recommendation at September 22, 2014, and the Ministry's actions up to that date. By that date, Ministry had implemented four of the five recommendations and made progress towards implementing the remaining one recommendation.

#### 3.1 High-Risk Homes Inspected More Frequently

We recommended that the Ministry of Health use a risk-based approach to inspect high-risk personal care homes more frequently. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

The Ministry inspects facilities prior to issuing one- or two-year licenses to personal care homes. It also uses onsite visits to investigate complaints about personal care homes.

On April 23, 2014, the Ministry began using a risk-based approach to determine the frequency of inspections. It uses the type (i.e., high-intermediate-low risk and/or repeat deficiencies), number of compliance deficiencies, and number of founded complaints as criteria in determining the frequency of inspections. Our testing of inspections of 10 personal care homes confirmed the Ministry's use of its new risk-based approach.

We recommended that the Ministry of Health provide guidance for its staff to assist in determining when to conduct unannounced inspections of high-risk personal care homes. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

The Ministry gives guidance to staff that sets out when to conduct unannounced inspections. This guidance requires staff to do an unannounced inspection for high-risk personal care homes if:

- 1 The licensee has not submitted a report on required actions within 60 days of the inspection
- 2 The Personal Care Home Consultant determines that an issue or complaint is best assessed through an unannounced visit to the home



### 3.2 Written Guidance Provided

We recommended that the Ministry of Health provide written guidance to staff for consistent and prompt follow-up of personal care homes that do not comply with actions required after inspections. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

The Ministry gives written guidance to staff that sets out the type and timing of follow-up expected when they find deficiencies during inspections.

The Ministry requires licensees to submit a written report within 30 days of the inspection date. If this report is not received on time, the Ministry requires its staff to contact the licensee. If no report is received within 60 days of the inspection date and the inspection identified significant deficiencies, the Ministry requires its staff to conduct an unannounced visit.

Our testing of inspection reports of 10 personal care homes noted that personal care homes had submitted written reports on deficiencies identified, if necessary, within 30 days of the inspection date.

### 3.3 Tracking System Under Development

We recommended that the Ministry of Health use a system to track personal care home inspection dates, non-compliance issues, required actions, and dates that personal care homes complete these actions. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Partially Implemented**

At September 2014, the Ministry tracked personal care home inspection dates electronically. It tracked non-compliance issues, required actions, and the date that the care home completed its required actions manually (i.e., in paper files). At September 2014, the Ministry was working with a software supplier to implement a more efficient data management system to track personal care home inspections and findings. It expects this system to be developed and operational by late 2014.

A centralized tracking system would help the Ministry efficiently identify risks and take timely actions to enforce compliance with regulations.



### 3.4 Public Reporting of Inspection Results

We recommended that the Ministry of Health publicly report inspection results when personal care homes do not comply with *The Personal Care Homes Act, 1991*. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status – Implemented**

On March 28, 2014, *The Personal Care Homes Reporting Regulations* were created to allow for public reporting of inspection results. Since April 14, 2014, the Ministry has posted the most recent personal care home inspections for each home on its website.<sup>1</sup>

Public reporting creates an incentive for the licensees to promptly correct deficiencies and provide appropriate reporting to the Ministry about the status of their corrective actions. This also provides the public with information that can be used when selecting a personal care home.

<sup>1</sup> See [www.health.gov.sk.ca/pch-inspections](http://www.health.gov.sk.ca/pch-inspections) (9 October 2014).

## Chapter 49

### Highways and Infrastructure—Highway Maintenance

#### 1.0 MAIN POINTS

By September 30, 2014, the Ministry of Highways and Infrastructure (Ministry) had strengthened the processes it uses to maintain the provincial highways. Its *2014-15 Ministry Plan* includes service-level objectives (e.g., percentage of highways that it expects to be in very good or good condition). It uses those objectives to determine its maintenance priorities. Also, the Ministry has set out a process to provide senior management with reports discussing the results of maintenance work performed, and expects to make its first report in late 2014.

#### 2.0 INTRODUCTION

*The Highways and Transportation Act, 1997* makes the Ministry responsible for all matters related to highways including the maintenance of provincial highways. The mission of the Ministry is to optimize the role of transportation as it relates to the economic and social development of Saskatchewan.<sup>1</sup>

Saskatchewan's road networks consist of about 26,165 km of highways, including about 10,659 km of asphalt concrete pavements, 4,254 km of granular pavements, 5,167 km of thin membrane surface highways, 5,807 km of gravel highways, and 279 km of ice roads.<sup>2</sup>

#### 2.1 Focus of Follow Up

Our *2010 Report – Volume 1*, Chapter 7 concluded that the Ministry had adequate processes to maintain highways except for the areas reflected in our four recommendations. By December 2011, as reported in our *2012 Report – Volume 1*, Chapter 9, the Ministry had implemented one recommendation – it had assessed the reasonableness of maintenance costs used to develop its maintenance plan. Three recommendations remained outstanding.

This chapter reports the results of our second follow-up of the three recommendations not implemented at December 2011.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry agreed with the criteria in the original audit.

<sup>1</sup> Ministry of Highways and Infrastructure 2014-15 Ministry Plan, p.3.

<sup>2</sup> Ministry of Highways and Infrastructure 2013-14 Annual Report, p.3.



### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, its status at September 30, 2014, and the Ministry's actions up to that date. We found that the Ministry has implemented two recommendations and has made progress on the other recommendation.

#### 3.1 Maintenance Plan Developed

We recommended that the Ministry of Highways and Infrastructure set long-term service-level objectives (such as long-term service-condition factors). (2010 Report – Volume 1; Public Accounts Committee agreement November 25, 2010)

**Status – Implemented**

Service-level objectives are performance metrics used to set out what performance is expected (such as the condition of the highway). In November 2013, the Ministry set and included long-term service-level objectives (e.g., to have provincial highways that are part of the national highway system [e.g., highway number one] rated at 85% good or very good and have less than 2% rated as poor) in its *2014-15 Ministry Plan*.<sup>3</sup>

We recommended that the Ministry of Highways and Infrastructure use service-level objectives to determine its annual and longer-term maintenance priorities. (2010 Report – Volume 1; Public Accounts Committee agreement November 25, 2010)

**Status – Implemented**

The Ministry now uses its service-level objectives in its planning processes to determine its annual and longer-term maintenance priorities. It runs computer-modelled scenarios to assess how it can best meet its targets.

#### 3.2 Monitoring Results Needed

We recommended that senior management of the Ministry of Highways and Infrastructure receive a report on the results of the maintenance activities at the end of the maintenance season, as required. (2010 Report – Volume 1; Public Accounts Committee agreement November 25, 2010)

**Status – Partially Implemented**

<sup>3</sup> [www.finance.gov.sk.ca/PlanningAndReporting/2014-15/HighwaysPlan1415.pdf](http://www.finance.gov.sk.ca/PlanningAndReporting/2014-15/HighwaysPlan1415.pdf), p. 9, (7 October 2014).



At the end of the maintenance season, the Ministry reports to senior management on the results of its activities. However, those reports do not include information related to achieving its targets. By 2013, the Ministry had set a process to report to senior management on the results of its maintenance activities in comparison to the targets set in November 2013. The Ministry plans to make this report at the end of its 2014 highways maintenance season.

Providing senior management with written reports on the results of actual maintenance activities compared to plans, including the reasons for and impact of differences, if any, is key information to help management make informed decisions. Such information helps management assess the effectiveness of its maintenance planning, and assists them when prioritizing projects to complete in future years.



## Chapter 50

### Justice—Monitoring Provincial Policing Services Delivered by the RCMP

#### 1.0 MAIN POINTS

The Ministry of Justice (Ministry) is responsible for provincial policing. This includes making sure the cost for provincial policing services delivered by the Royal Canadian Mounted Police (RCMP) is accurate.

In 2009, we first reported that the Ministry did not verify that costs charged by the RCMP for policing were accurate and recommended that it do so. By September 12, 2014, the Ministry had taken various steps to better monitor these costs (e.g., it has hired two new positions with this responsibility) and continues to explore how best to verify the costs.

#### 2.0 INTRODUCTION

The Ministry is responsible for provincial policing. To meet its policing objectives, the Ministry contracts with the Government of Canada for the services of the Royal Canadian Mounted Police (RCMP) as allowed under *The Police Act, 1990*. For 2013-14, the cost for provincial policing services provided by the RCMP was \$166 million.<sup>1</sup>

Our *2009 Report – Volume 1*, Chapter 3 concluded that the Ministry did not have adequate processes to monitor provincial policing services delivered by the RCMP and included five recommendations. By October 2012, as reported in our *2012 Report – Volume 2*, Chapter 52 the Ministry had implemented four of those five recommendations. It had not yet verified that costs charged by the RCMP for provincial policing were accurate.

This chapter describes our follow-up of management's actions on this recommendation.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendation, we used the relevant criteria from the original audit. The Ministry agreed with the criteria in the original audit. We based our findings on our examination of the Ministry's processes, directions to staff, relevant communications, and discussions with officials.

#### 3.0 STATUS OF RECOMMENDATION

This section sets out the recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at September 12, 2014, and the Ministry's actions up to that date.

<sup>1</sup> Ministry of Justice Annual Report for 2013-14, p.27.



While the Ministry had made progress, it had not fully implemented the recommendation.

### 3.1 Verify Costs Charged by the RCMP

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) verify that costs charged by the Royal Canadian Mounted Police for provincial policing are accurate. (2009 Report – Volume 1; Public Accounts Committee agreement February 2, 2010)

#### **Status – Partially Implemented**

Effective April 1, 2012, the Ministry entered into a new 20-year agreement with Public Safety Canada for the services of the RCMP. The agreement sets overarching principles for accountability and contains various provisions that provide the Ministry with the ability to verify costs charged by the RCMP.

Each month and at year-end, the Ministry receives, from the RCMP, budget reports of expenses for providing provincial policing. These reports compare spending to date to the prior period, and the forecast for the year to the approved annual budget. They do not include detailed explanations for differences between planned and actual expenses.

As previously reported, these reports do not provide the Ministry with sufficient information to know if the costs charged by the RCMP for provincial policing are accurate. As of September 2014, the Ministry was working with the RCMP to promote full transparency related to all cost items through written explanations of differences.

The Ministry's provincial policing services agreement allows the Ministry to request additional financial information and/or independent reviews to verify the accuracy of costs charged by the RCMP. Since October 2012, the Ministry has received several reports on some specific costs to enable it to better understand the basis for these costs. The Ministry plans to continue to pursue, alongside its inter-provincial counterparts, independent reviews on priority cost items.

Also, in July 2014, the Ministry hired a former senior RCMP officer to help address issues that arise related to the current policing agreement. This newly-created position, as well as senior management in the Ministry's Policing Branch, works closely with the RCMP (through regular attendance at RCMP executive committee meetings) to keep the Ministry informed on new initiatives as well as any budget-related changes.

In addition, the Ministry has developed a program contract position to act as the liaison with the RCMP to gather financial information related to the policing agreement. It expects the additional information gathered will allow it to further examine and understand the costs that the RCMP charges for policing.

Without knowing if policing service costs charged by the RCMP are accurate, the Ministry risks overpaying for the services it receives.



## Chapter 51

### Justice – Security Awareness Processes

#### 1.0 MAIN POINTS

The mandate of the Ministry of Justice (Justice) is to protect individual rights, promote safe and secure communities, and provide legal and justice policy advice to Government. Justice's information technology (IT) systems contain sensitive and confidential information. An important part of security of IT systems is having an effective security awareness program for employees.

In this chapter, we report that Justice has addressed all three of the recommendations we made in 2010 to improve its processes for security awareness.

#### 2.0 INTRODUCTION

Information systems are critical for Justice to carry out its operations. A majority of these systems contain sensitive and confidential information. This includes information related to traffic fines, court dates, and legal/criminal case information. Some of the information systems at Justice process credit card transactions. Justice also uses information systems to record its corporate financial information. Because of the nature of these information systems and its reliance on them, Justice must keep its information systems secure.

An important part of security is having an effective security awareness program for employees. Lack of adequate security awareness increases the risk that information could be altered by unauthorized persons, confidential information could be inappropriately disclosed, or information may not be available when needed. Each of these could impair the ability of Justice to carry out its programs and services.

Our *2010 Report – Volume 1*, Chapter 8 concluded that Justice's processes for security awareness were adequate except that it needed to assess its security awareness needs, update and carry out its formal plan for its security awareness program, and monitor the effectiveness of its program. We made three recommendations. Our first follow-up, reported in our *2012 Report – Volume 2*, Chapter 51, found that the Ministry had not implemented these recommendations. This chapter reports the results of our second follow-up.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Justice's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Justice's management agreed with the criteria in the original audit.

#### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at June 30, 2014, and Justice's actions up to that date. By June 30, 2014, Justice had addressed all our recommendations.

### 3.1 Assessment of Security Awareness Needs Completed

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We recommended that the Ministry of Justice assess its security awareness needs and ensure its security awareness program addresses those needs. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

**Status** – Implemented

Justice has adopted a process to regularly assess its security awareness needs through employee security awareness surveys. These surveys measure employee awareness about topics such as security policies and procedures, computer viruses and scams, and security responsibilities. Justice uses the surveys' results to determine the security awareness topics for its training efforts.

### 3.2 Plan for Security Awareness Finalized

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We recommended that the Ministry of Justice update its formal plan for its security awareness program and carry out the plan. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

**Status** – Implemented

Justice has finalized and approved its updated security awareness plan. As well, Justice started to carry out its plan by holding security awareness presentations for employees, providing information technology security policies, and surveying its employees for their IT security knowledge and awareness.

### 3.3 Effectiveness of Security Awareness Program Monitored

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We recommended that the Ministry of Justice monitor the effectiveness of its security awareness program. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

**Status** – Implemented

Justice monitors the effectiveness of its security awareness program by setting metrics to track employees' security awareness. It has set targets for some metrics and is in the process of setting targets for the other metrics. Two of its key metrics are results of surveys on the level of employees' security awareness knowledge, and the number of incidents where its computers became infected (i.e., with a computer virus). Based on these results, Justice makes changes to its security awareness program.

## Chapter 52

### Prince Albert Parkland Regional Health Authority—IT Security

#### 1.0 MAIN POINTS

At March 31, 2014, Prince Albert Parkland Regional Health Authority (PA Parkland) had implemented one of the two outstanding recommendations we made in 2011 related to securing its information technology (IT) systems and data. However, it needs more work to fully implement the second recommendation.

PA Parkland completed a disaster recovery plan and conducted testing as required by its risk assessment. PA Parkland plans to restrict access to its IT wiring closets in rural locations and encrypt all its portable computers by March 31, 2015.

#### 2.0 INTRODUCTION

PA Parkland is responsible for the planning, organization, delivery, and evaluation of health services in its health region. PA Parkland uses IT systems and data for admissions, patient records, laboratory results, prescription information, and accounting. Its IT systems collect, store, and process information, including confidential information, used for treatment of individuals and for planning and decision making at both the regional and provincial levels. Securing PA Parkland's IT systems and data is important for safe and effective delivery of health services and protection of patient information.

Our *2011 Report – Volume 1* reported that PA Parkland needed to restrict physical access to its IT systems and data, maintain and test its disaster recovery plan, and monitor whether its IT service providers meet its security requirements. We made three recommendations. By August 31, 2012, as reported in our *2012 Report – Volume 2*, PA Parkland had addressed one recommendation, but needed to do more to address our other two recommendations. This chapter reports the results of our second follow-up on the remaining two recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate PA Parkland's progress towards meeting each recommendation, we used the relevant criteria from the original audit. PA Parkland agreed with the criteria in the original audit.

We assessed PA Parkland's activities since our last follow-up to March 31, 2014 related to restricting physical access and disaster recovery planning. We also assessed the adequacy of PA Parkland's current disaster recovery plan and reviewed the results of its 2014 testing of recovery procedures.

#### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each outstanding recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of



the recommendation at March 31, 2014, and PA Parkland's actions up to that date. We found PA Parkland had addressed one of our remaining recommendations, but still had some work to do to address the other one.

### 3.1 Working to Adequately Restrict IT Wiring Closets and Portable Computers

We recommended that Prince Albert Parkland Regional Health Authority restrict physical access to information technology systems and data. (2011 Report – Volume 1; Public Accounts Committee agreement August 28, 2012)

**Status – Partially Implemented**

PA Parkland installed video cameras to monitor its data centre. This, along with its other controls to restrict physical access (i.e., use of card reader, and the manual recording of those who enter the data centre), is sufficient to restrict physical access to its data centre.

However, at March 31, 2014, PA Parkland's controls to restrict physical access to its IT wiring closets<sup>1</sup> and portable computers needed strengthening. PA Parkland has about 40 IT wiring closets and 300 portable computers located throughout the region. Staff use portable computers to access health information.

Not adequately securing physical access to wiring closets and portable computers increases the risk of unauthorized access to sensitive data. Management advised that PA Parkland plans to address these matters by March 31, 2015.

### 3.2 Disaster Recovery Plan Complete

We recommended that Prince Albert Parkland Regional Health Authority maintain an up-to-date and tested disaster recovery plan based on a threat and risk assessment. (2011 Report – Volume 1; Public Accounts Committee agreement August 28, 2012)

**Status – Implemented**

PA Parkland conducted a business impact analysis to determine the importance of the IT systems used in its health region. PA Parkland completed a disaster recovery plan,<sup>2</sup> which includes fully documented procedures for its network, server, and system recovery. In addition, PA Parkland conducted disaster recovery testing as required by its risk assessment.

<sup>1</sup> Wiring closets are small rooms that house critical IT network infrastructure (e.g., switches, wires). They are located outside of the centralized server room or data centre.

<sup>2</sup> A disaster recovery plan is a plan for an organization to restore necessary IT services in the event of an emergency or disaster. A disaster recovery plan is often part of a larger, organization-wide business continuity plan.



## Chapter 53

### Saskatchewan Indian Gaming Authority Inc. — Information Technology Threat and Risk Assessment Processes

#### 1.0 MAIN POINTS

By August 31, 2014, Saskatchewan Indian Gaming Authority Inc. (SIGA) made some progress on two of the four recommendations we made in 2012 related to its information technology (IT) threat and risk assessment processes. However, more work remains.

SIGA needs to complete its IT threat and risk assessment, report to senior management on its risk assessment results, and assess the effectiveness of its IT threat and risk assessment processes.

#### 2.0 INTRODUCTION

This chapter reports the results of our follow-up of four recommendations we made in our *2012 Report – Volume 2*, Chapter 35 about SIGA's IT threat and risk assessment processes.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate SIGA's progress towards meeting our recommendations, we used the relevant criteria from the original audit. SIGA's management agreed with the criteria in the original audit.

We discussed the key actions taken with management, and reviewed supporting documentation.

#### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendations at August 31, 2014, and SIGA's actions up to that date. We found that while SIGA has made some progress on two recommendations, all four recommendations are not fully implemented.



### 3.1 Complete Plan for IT Threat and Risk Assessment Needed

We recommended that the Saskatchewan Indian Gaming Authority fully document and approve its plan for assessing the risks to its business from vulnerabilities to its information technology systems. (2012 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

**Status** – Partially Implemented

A complete IT threat and risk assessment plan should include timelines, expected participants, scope, and planned steps. Management should review and approve the plan.

SIGA has a draft process map that outlines high-level steps for IT risk identification and assessment. However, the process map does not include all aspects necessary for an IT threat and risk assessment plan. The process map does not include timelines for the identified steps, the expected participants, or the scope of the assessment process. Also, in June 2014, SIGA hired additional IT staff that, as part of their responsibilities, are expected to define formal risk assessment guidelines. At August 31, 2014, guidelines had not yet been developed. SIGA indicated that its internal auditor recently assessed its IT security processes compared to best practice, including threat and risk assessment processes, and provided management with suggestions for improvement. SIGA is currently developing an action plan to address the suggestions.

Without a fully-documented and approved IT threat and risk assessment plan, responsibility for and the timing of the completion of the assessments may be unclear, which may result in delays in the completion of the assessments.

### 3.2 IT Threat and Risk Assessment Not Yet Complete

We recommended that the Saskatchewan Indian Gaming Authority follow its policies by documenting its analysis of the impact and likelihood for information technology risks and developing responses for significant risks. (2012 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

**Status** – Partially Implemented

SIGA has not completed its IT risk assessment. At August 31, 2014, SIGA had documented its analysis of the impact and likelihood for IT risks it faces. However, the analysis does not include planned responses to the identified risks.<sup>1</sup> Senior management has not approved this analysis.

<sup>1</sup> Planned responses to risks should include identification of current controls in place to mitigate risks, planned changes to those controls, the implementation status of any planned changes, and the identification of residual risks that require further action or acceptance.

Without determining the planned responses to identified risks, SIGA does not know if it has satisfactorily addressed its IT risks.

### 3.3 Reporting on Risk Assessment Results and Assessment of the Effectiveness of Processes Needed

We recommended that the Saskatchewan Indian Gaming Authority report to senior management:

- 1 The impact of significant information technology risks
- 2 Responses taken for those risks
- 3 The estimated residual risk

(2012 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

**Status – Not Implemented**

We recommended that the Saskatchewan Indian Gaming Authority assess the effectiveness of its information technology risk assessment processes and monitor its significant risks on an on-going basis. (2012 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

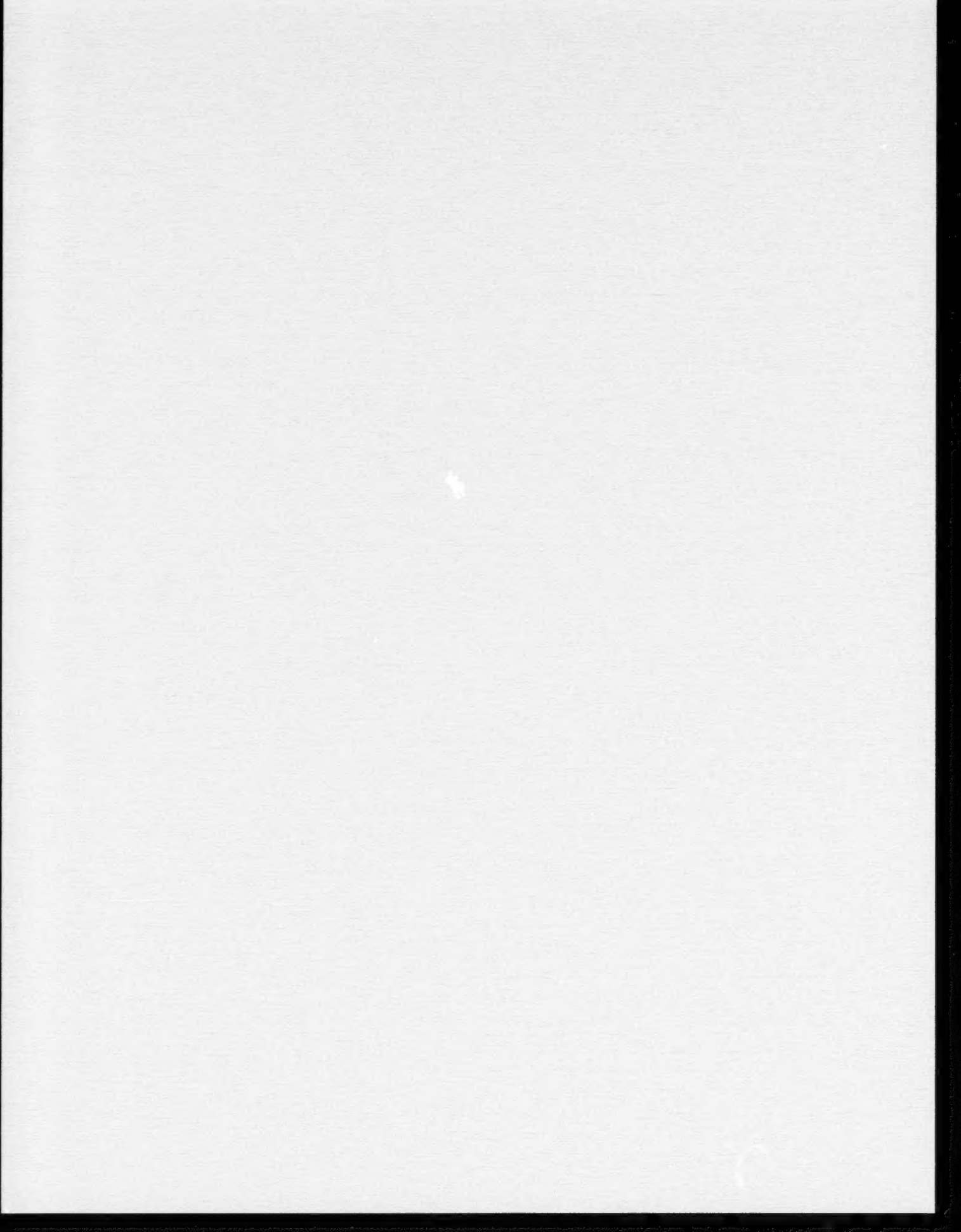
**Status – Not Implemented**

As noted in **Section 3.2**, SIGA's IT risk assessment is not yet complete. As such, it cannot report to senior management on the impact of significant IT risks, responses taken for those risks, and the estimated residual risks.

Without complete information on IT risks, SIGA's senior management is unable to determine if it has developed sufficient responses to IT threats and risks. SIGA indicated that it is currently developing a reporting strategy for senior management.

SIGA has not yet reviewed the effectiveness of its risk assessment processes on an ongoing basis. Ongoing assessment of effectiveness would help SIGA determine if its IT risk assessment and risk responses continue to be appropriate.

SIGA indicated that it plans to review the effectiveness of its information technology threat and risk assessment processes in 2015.





## Chapter 54

### Saskatoon Regional Health Authority – Protecting IT Infrastructure

#### 1.0 MAIN POINTS

This chapter describes our follow-up of management's actions on five recommendations we initially made in our *2010 Report – Volume 2*, Chapter 11D on Saskatoon Regional Health Authority's (Saskatoon RHA) processes to protect its information technology (IT) infrastructure.

To support the delivery of healthcare services, Saskatoon RHA uses IT systems. For example, it uses IT systems for lab results, medical imaging, and patient registration and billing. It also stores confidential patient data in its IT systems. Its IT systems and data reside on its network and computer equipment. Therefore, maintaining the security of its IT infrastructure is very important to ensure that information from the systems is accurate and timely, and patient data is protected.

We found that management has implemented two of the recommendations and made progress towards the remaining three recommendations. Saskatoon RHA needs to do the following so that it can protect its IT infrastructure. It needs to finish implementing its monitoring controls over its IT infrastructure and have staff follow its established processes for updating its network equipment and removing user access promptly.

#### 2.0 INTRODUCTION

This chapter describes our follow-up of management's actions on five recommendations we made in our *2010 Report – Volume 2*, Chapter 11D on Saskatoon RHA's processes to protect its information technology infrastructure. Our *2012 Report – Volume 2*, Chapter 49 reported that by August 2012 Saskatoon RHA had implemented one recommendation and was working towards implementing the remaining five recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Saskatoon RHA's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Saskatoon RHA's management agreed with the criteria in the original audit.

We interviewed Saskatoon RHA's staff, examined IT policies, reviewed reports about the implementation status of the IT policies, analyzed information from IT systems, and observed IT processes.

#### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the



recommendation at September 30, 2014, and Saskatoon RHA's actions up to that date. We found that Saskatoon RHA has implemented two recommendations and made progress in implementing three recommendations, but still has some work to do.

### 3.1 IT Policies Implemented

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We recommended that Saskatoon Regional Health Authority implement adequate information technology policies. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status** – Implemented

Saskatoon RHA has developed, approved, and implemented IT policies to effectively manage its IT infrastructure.

### 3.2 Monitoring of Security Improving

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We recommended that Saskatoon Regional Health Authority monitor the security of its information technology infrastructure. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status** – Partially Implemented

Saskatoon RHA approved policies for monitoring access to and use of IT systems and for managing IT security incidents. It completed work to lock and monitor access to all rooms that store its computer equipment. It began implementation of a central logging system to collect IT security data and is evaluating the potential use of additional systems to collect further data. It hired an employee in October 2014 to focus on monitoring IT security to detect security attacks or potential breaches by analyzing the data from these systems.

Saskatoon RHA needs to complete its implementation of monitoring controls for IT infrastructure so that it can timely detect and address security attacks and potential breaches.

### 3.3 Configuration and Updating of Computer Equipment Improving

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We recommended that Saskatoon Regional Health Authority configure and update its computers and network equipment to protect them from security threats. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status** – Partially Implemented

Saskatoon RHA has taken steps to improve the configuration of its computer systems and network equipment to protect them from external threats.

In July 2014, Saskatoon RHA implemented a process to update (i.e., patch) its servers semi-annually. It has assessed approximately 41% of the servers to determine what work is required to fully update the equipment. Saskatoon RHA plans to assess and apply updates to the remaining servers by the end of 2015. Based on its assessments completed by September 30, 2014, it reported that it had:

- › Updated 28% of its servers
- › Decommissioned 7% of its servers
- › Accepted risks, in alignment with industry standards, from not updating 4% of its servers
- › Assessed, but is working to update 2% of its servers
- › Has not assessed or applied updates for 59% of its servers

Although Saskatoon RHA had processes for updating its network equipment (e.g., firewalls, routers), staff did not consistently follow them. At September 30, 2014, we found that some network equipment was not up to date (i.e., patched).

Failure to update computers and network equipment on a timely basis increases the risk of unauthorized access or changes to Saskatoon RHA's systems or data.

### 3.4 Need to Restrict User Access

We recommended that Saskatoon Regional Health Authority adequately restrict access to information technology equipment, systems, and data. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

#### **Status – Partially Implemented**

Although Saskatoon RHA had processes to grant and remove user access, staff did not consistently follow them. The RHA employs about 15,000 individuals. We analyzed a listing of all users and found 92 individuals no longer employed by the RHA who continued to have access to its systems and data. For example, we found one individual who had access for about six months after the individual left the employ of the RHA.

Continued access of employees who no longer work for Saskatoon RHA increases the risk of unauthorized access or changes to its systems and data.



### 3.5 Disaster Recovery Plan Approved

We recommended that Saskatoon Regional Health Authority prepare and test an information technology disaster recovery plan. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status – Implemented**

In October 2013, Saskatoon RHA completed its first test of its disaster recovery plan and updated its plan based on the test results. In April 2014, it approved the revised plan.



## Chapter 55

### Social Services—Supervision of Community-Based Organizations

#### 1.0 MAIN POINTS

In 2012, we audited the Ministry of Social Services' (Ministry) processes to plan for, contract with, and monitor community-based organizations (CBOs) providing services to intellectually disabled people and their families, and made eight recommendations. At September 30, 2014, the Ministry had implemented three recommendations but has more work to do for the remaining five.

The Ministry continues to work to establish program objectives, and outcome performance measures and targets to monitor and evaluate the services CBOs deliver. It also needs to develop and implement complete policies and procedures for addressing risks identified at CBOs, follow its established policies to obtain all the required reports from CBOs, and follow established monitoring procedures as outlined in the agreements with CBOs. In addition, the Ministry needs to analyze and document its review of serious incidents and incident trends at CBOs and determine how to address the increasing trend in incidents.

#### 2.0 INTRODUCTION

This chapter reports the results of our follow-up of eight recommendations initially made in our *2012 Report – Volume 1*, Chapter 22 about the effectiveness of the Ministry's process to plan for, contract with, and monitor CBOs providing services to intellectually disabled people and their families.

In 2012, we reported that the Ministry needed to:

- 1 Improve its agreements with CBOs by establishing program objectives, outcome performance measures and targets
- 2 Document the rationale for CBO selection and the funding decisions associated with each CBO that provides services to individuals with intellectual disabilities
- 3 Improve its monitoring and evaluation of service delivery to individuals with intellectual disabilities

To do this work, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Management agreed with the criteria in the original audit.

We examined the Ministry's policies and procedures manuals, serious incident reports and other relevant documents. We also tested a sample of CBO agreements.



## 2.1 Ministry Mandate

The mandate of the Ministry is to support vulnerable citizens as they work to build better lives for themselves through economic independence, strong families, and strong community organizations.<sup>1</sup> The Ministry provides programs and services for people with intellectual disabilities,<sup>2</sup> works with them, and helps them access a variety of community-based services. *The Residential Services Act* and *The Rehabilitation Act* give the Ministry the authority to enter into agreements with community-based organizations (CBOs) to provide these services.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at September 30, 2014, and the Ministry's actions up to that date. We found that the Ministry has implemented three recommendations but has more work to do to fully meet the remaining five recommendations.

### 3.1 Agreements with CBOs Improving

We recommended that the Ministry of Social Services work with community-based organizations (CBOs) to establish program objectives, and outcome performance measures and targets to be used to monitor and evaluate the services CBOs deliver to intellectually disabled people and their families. (2012 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

**Status** – Partially Implemented

For group homes and day programs, the Ministry's agreements set out the core program outcomes and indicators, which are based on meeting the needs of the individuals residing in the group homes or utilizing day programs. In 2012-13, the Ministry began requiring Person-Centred Planning (PCP) for these individuals. The PCP is an individualized approach that addresses such things as health, safety, basic needs, and quality of life. It involves setting goals with individuals and taking action to achieve those goals.

For general service contracts or specialized programs, the Ministry is working with CBOs to develop outcome performance measures and targets for inclusion in their agreements.

Including performance measures and targets in all CBO agreements would allow the Ministry to better evaluate CBO performance and ensure the services delivered achieve the results the Ministry had intended.

<sup>1</sup> Ministry of Social Services, *Annual Report for 2013-14*, p.3.

<sup>2</sup> *The Rehabilitation Act* defines intellectual disability as "a condition of arrested or incomplete development of mind whether arising from inherent causes or induced by disease or injury."

### 3.2 Selection Process Documented

We recommended that the Ministry of Social Services document the program selection and funding decisions associated with each community-based organization that provides services to individuals with intellectual disabilities.

(2012 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

**Status** – Implemented

Ministry staff meet to discuss, evaluate, and rank the budget requests that all CBOs submit based on established criteria (e.g., level and urgency of needed services). The Ministry now documents these discussions, including the rationale behind program selection and funding decisions.

### 3.3 Policies and Procedures Not Updated

We recommended that the Ministry of Social Services develop and implement complete policies and procedures for addressing risks identified in community-based organizations that provide services to individuals with intellectual disabilities. (2012 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

**Status** – Not Implemented

The Ministry has not updated its *Policy Manual for CBO Accountability*. The manual indicates that several key policies covering the risk assessment process will be added at a future date. However, management indicated that the Ministry communicates risk assessment procedures to staff on an informal basis.

Without complete policies and procedures, it is difficult to communicate expectations to staff and hold them accountable. The lack of formal policies could also lead to inconsistent risk assessments being completed.

### 3.4 Compliance with Amended Annual Work Plan

We recommended that the Ministry of Social Services require staff to comply with the annual work plan to attend annual general board meetings of all community-based organizations that provide services to individuals with intellectual disabilities on the Ministry's behalf or amend the annual work plan to incorporate a risk-based focus for meeting attendance. (2012 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

**Status** – Implemented



The Ministry has amended its annual work plan. The plan no longer requires staff to attend all annual general board meetings. Instead, the plan requires staff to maintain regular contact with the CBO and the board.

Management indicated that CBOs that are medium and high risk are prioritized on an informal basis. Meeting attendance is then coordinated based on this prioritization. During our review of a sample of CBOs, we found that Ministry staff maintained regular contact with their respective CBO and the board.

### 3.5 Established Policies Need to be Followed

We recommended that the Ministry of Social Services require its staff to follow established policies to obtain all required reports that are not submitted by the due date from community-based organizations that provide services to individuals with intellectual disabilities on the Ministry's behalf. (2012 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

**Status – Partially Implemented**

The Ministry's policy manual provides guidance to staff on what to do when CBOs do not comply with reporting requirements as set out in the CBO agreements. In 10% of the files reviewed, we noted that staff did not follow the established policies to obtain all the required reports not submitted by the due date, nor was there any evidence of staff following up on the late reports (e.g., sending emails, letters).

To effectively monitor CBOs' delivery of services, the Ministry needs to ensure CBOs submit all the required reports. If the reports are not received, staff need to follow the established policies to obtain those reports.

### 3.6 More Monitoring Needed

We recommended that the Ministry of Social Services follow their established monitoring procedures as outlined in their agreements with community-based organizations that provide services to individuals with intellectual disabilities. (2012 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

**Status – Partially Implemented**

The Ministry has processes, such as regular reviews of CBOs' financial information as well as an annual financial analysis, to determine whether CBOs spend money in accordance with the agreements and for the purposes intended.

The agreements with CBOs require Ministry staff, at least once every two years, to review CBOs' policies and procedures, verify compliance with those policies and procedures, and develop action plans to address non-compliance. However, we found that only 43% of the CBOs' files that we sampled had this review completed within the



last two years. Lack of timely monitoring increases the risk that CBOs may not use public resources for the stated objectives and may not achieve the objectives of the Ministry.

### 3.7 Analysis of Serious Incidents Needed

We recommended that the Ministry of Social Services analyze and document its review of serious incidents and incident trends at community-based organizations that provide services to individuals with intellectual disabilities and determine how to address the increasing trend in incidents. (2012 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

**Status** – Partially Implemented

Staff prepare and provide to management reports on serious incidents (e.g., by type, sector, region) to monitor any developing trends. However, these reports do not include analysis on the causes for incidents, risks, actions to mitigate the risk, or provide any explanation of developing trends.

The reports show that the number of serious incidents is increasing (i.e., 291 incidents in 2012-13 compared to 552 incidents in 2013-14). The report noted that the increase may be partly attributable to improved reporting compliance and increases in group home and day program spaces, but did not include any further details.

Analyzing and documenting the review of serious incidents and incident trends is important. This analysis would help the Ministry determine what actions are required to reduce the number of incidents in the CBOs.

### 3.8 Timely Action Taken to Address Service Quality Issues

We recommended that the Ministry of Social Services take timely action to address service quality issues at community-based organizations that provide services to individuals with intellectual disabilities on the Ministry's behalf and document their actions taken. (2012 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

**Status** – Implemented

As part of the incident report, staff identify the three CBOs in each region with the highest number of serious incidents. However, the incident reports do not identify the root causes of these incidents and the steps needed to mitigate or eliminate them.

For example, the 2013-14 incident report identified one CBO with 173 serious incidents. 145 of these incidents related to medication abuse, but there was no documentation setting out what caused the incidents or what must be done to correct them.



However, once the Ministry became aware of the issue, it regularly communicated to CBO staff, senior management, and the Board about the importance of addressing such service quality issues. The Ministry also reviewed policies and procedures with the CBO and discussed corrective actions.



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## **Standing Committee on Public Accounts**

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## Chapter 56

### Standing Committee on Public Accounts

#### 1.0 MAIN POINTS

The work of the Standing Committee on Public Accounts (Committee) is crucial for a well-managed parliamentary system of government. It provides a vital link in the chain of accountability over public resources and contributes to the public's confidence in our system of government.

The Committee's discussions and recommendations to the Legislative Assembly (Assembly) promote a more open and accountable government and better management of government operations. By questioning, requesting information, and making recommendations in its reports to the Assembly, the Committee acts as an agent of change for the management practices of government. This is evident, in part, through the high extent of implementation of the Committee's recommendations. The Committee's reports during the previous five years contained 229 recommendations. The Government has fully implemented 77% of the Committee's recommendations. Of the recommendations that are not yet fully implemented, 87% are partially implemented.

#### 2.0 INTRODUCTION

This chapter provides an overview of the composition, role, and responsibilities of the Committee. It briefly describes what the Committee does, how it works, and how it reports to the Assembly.

It also sets out the extent to which the Government has implemented the Committee's past recommendations and the status of the Committee's review of our Reports.

#### 3.0 OVERVIEW OF COMMITTEE'S ROLE AND RESPONSIBILITIES

##### 3.1 Committee Composition

On March 4, 2013, *The Rules and Procedures of the Legislative Assembly of Saskatchewan*<sup>1</sup> changed to expand the Committee from seven members and a membership based on the ratio of party standings in the Assembly to eight members, including two members of the Opposition for the duration of the 27th Legislature. At the beginning of each Legislature, the Assembly appoints members to the Committee. The Chair of the Committee is a member of the Opposition and the Deputy Chair is a member of the Government. See **Exhibit 6.1** for the current composition of the Committee.

<sup>1</sup> [www.legassembly.sk.ca/about/rules-and-procedures](http://www.legassembly.sk.ca/about/rules-and-procedures) (20 October 2014).





## 3.2 Responsibilities Include Review of Public Accounts and Our Reports

The Committee is key to helping the Assembly hold the Government accountable for its management of public resources. *The Rules and Procedures of the Legislative Assembly of Saskatchewan* requires the Committee to review and report to the Assembly on the results of its review of the Public Accounts and of the Reports of the Provincial Auditor. The Assembly refers the Public Accounts and the Reports of our Office to the Committee.<sup>2</sup> The following provides a brief description of each:

- ▶ The Public Accounts consist of two volumes. The first volume contains the Summary Financial Statements of the Government and a Financial Statement Discussion and Analysis section. The second volume contains details on revenues and expenditures of the General Revenue Fund. This includes comparisons of appropriations to expenditures by vote and by program, and details of expense (e.g., payees who received \$50,000 or more for salaries and benefits, transfers, or goods and services). It also includes key financial information of some pension plans and trust funds administered by the Government, a listing of taxes and fees, and information on road-use fuel tax accountability.<sup>3</sup>
- ▶ The Reports of the Provincial Auditor contain the results of our examinations of the Government and its various agencies. The Committee has asked us to monitor compliance with its recommendations and to report on their status. Chapters within our Reports provide an update on the status of the Committee's recommendations. Also, each year, our Office provides our *Business and Financial Plan* and an *Annual Report on Operations*.

Because of its role to scrutinize the Government's management of public resources and to review our Reports, we view this Committee as the audit committee for the Assembly and thus, for the public.

The Committee's meetings are televised and open to the public. In its deliberations, the Committee is not fundamentally concerned with matters of policy; rather, it questions the economy and effectiveness of the administration of government programs. The Committee reviews the activities, performance, and reports of government ministries, agencies, and certain Crown corporations. During its review, the Committee may inquire about past performance, current concerns, and future objectives. The Committee's discussions include broader issues such as strategic plans, key risks to achieving goals and objectives, and performance measurement.

Government officials attend the Committee meetings to answer questions about the administration of their agencies. Our Office attends the meetings to help the Committee in its reviews. The Committee discusses and recommends actions on issues that Committee members and our Office raise.

<sup>2</sup> Certain chapters within our Reports are referred to the Standing Committee on Crown and Central Agencies.  
<sup>3</sup> [www.finance.gov.sk.ca](http://www.finance.gov.sk.ca) (20 October 2014).

### 3.3 Reports of the Committee

The Committee formally reports its findings and recommendations to the Assembly in written reports. Typically, it does this at the end of each legislative session. Its reports, once tabled in the Assembly, are made available to the public on the Assembly's website.<sup>4</sup> The Committee requires the Government to respond in writing to its reports. The Government's response is also made public on the Assembly's website.

Information about the composition of the Committee as well as records of the Committee's meetings (i.e., Hansard verbatims, minutes, videos, and reports) are available to the public on the Committee's website.

The Committee presented its last report called the *Third Report to the 26th Legislature (4th Session of the 26th Legislature)* on September 6, 2011.<sup>5</sup> The Third Report contains over 230 recommendations. It was moved by the Deputy Chair of the Committee and agreed to by the Legislative Assembly "that the draft *Third Report of the Standing Committee on Public Accounts* be adopted and that the final report be approved by the Steering Committee and filed with the Clerk pursuant to Rule 135(6)." The Government responded to this report on December 20, 2011.<sup>6</sup>

The Committee's previous reports were the *First and Second Reports to the 26th Legislature*. They were presented to the Assembly on March 25, 2009 and March 7, 2011,<sup>7</sup> respectively. The Committee's reports during the previous five years contained 229 recommendations.

## 4.0 IMPLEMENTATION OF COMMITTEE'S RECOMMENDATIONS

Consistent with prior years, the implementation of the Committee's recommendations by the Government and its agencies remains strong. As of October 2014, the Government has fully implemented 77% (October 2013–78%) of the Committee's recommendations. The Government has partially implemented 87% (October 2013–81%) of the remaining recommendations.<sup>8</sup>

In **Exhibit 6.2**, we set out the status of the Committee's outstanding recommendations that are not discussed elsewhere in this Report. The remaining outstanding recommendations are included in the relevant chapters throughout our Report. Reviewing these outstanding recommendations provides the Committee with an opportunity to ask Government officials how they are progressing towards meeting the Committee's expectations.

<sup>4</sup> [www.legassembly.sk.ca/legislative-business/legislative-committees/public-accounts/](http://www.legassembly.sk.ca/legislative-business/legislative-committees/public-accounts/) (20 October 2014).

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> The Second Report summarizes the process undertaken for the Provincial Auditor Competition.

<sup>8</sup> Calculations are based on the Committee's recommendations up to and including the *Third Report to the 26th Legislature* at September 6, 2011.



## 5.0 STATUS OF COMMITTEE'S REVIEW OF OUR REPORTS

Since the fall of 2013, eight of our Reports which include the results of our examinations of the Government and its agencies have been referred to the Committee for its review.

Since that time, the Committee has met 11 times – at 10 of its meetings, it reviewed our Reports. Its review included chapters from our *2010 Report (Volume 2)*, *2011 Report (Volumes 1 and 2)*, *2012 Report (Volumes 1 and 2)*, *2013 Report (Volumes 1 and 2)*, *2014 Report (Volume 1)*, and our *Business and Financial Plan for the Year Ended March 31, 2015*.

As of October 15, 2014, the Committee had not completed its review of all chapters in the following Reports:

- › *2012 Report – Volume 1* (1 out of 18 chapters outstanding)
- › *2012 Report – Volume 2* (11 out of 55 chapters outstanding)
- › *2013 Report – Volume 1* (13 out of 27 chapters outstanding)
- › *2013 Report – Volume 2* (10 out of 50 chapters outstanding)
- › *2014 Report – Volume 1* (19 out of 26 chapters outstanding)
- › *Special Report 2013 of the Provincial Auditor: The Need to Change – Modernizing Government Budgeting and Financial Reporting in Saskatchewan*

## 6.0 EXHIBITS

### 6.1 Composition of the Standing Committee on Public Accounts

As of October 15, 2014, the members of the Committee were:

- › Danielle Chartier, MLA, New Democratic Party, Chair
- › Paul Merriman, MLA, Saskatchewan Party, Deputy Chair
- › Larry Doke, MLA, Saskatchewan Party
- › Glen Hart, MLA, Saskatchewan Party
- › Warren Michelson, MLA, Saskatchewan Party
- › Rob Norris, MLA, Saskatchewan Party
- › Randy Weekes, MLA, Saskatchewan Party
- › Trent Wotherspoon, MLA, New Democratic Party



## 6.2 Status of Previous Committee Recommendations

The following table provides an update on recommendations agreed to by the Committee that are not yet implemented and are not discussed elsewhere in this Report. Our intent is to follow up on outstanding recommendations in the future.

Committee Report Year	Outstanding Recommendation*	Status
<b>eHealth – Electronic Health Records (2009 Report – Volume 3)</b>		
2011	10C-1 that the Ministry of Health's strategic plan include its strategy for the electronic health record system.	<b>Partially Implemented</b> (as of September 30, 2012)
2011	10C-2 that the Ministry of Health develop an operational plan to guide the development and implementation of the electronic health record system.	<b>Partially Implemented</b> (as of September 30, 2012)
2011	10C-3 that the Ministry of Health monitor its overall costs and timelines, compared to its plans, for development and implementation of the electronic health record system.	<b>Partially Implemented</b> (as of September 30, 2012)
2011	10C-4 that the Ministry of Health develop performance measures to allow it to assess and report its progress in achieving the electronic health record benefits.	<b>Partially Implemented</b> (as of September 30, 2012)
<b>Heartland Regional Health Authority – Disposal of IT and Communication Equipment (2009 Report – Volume 3)</b>		
2011	10D-1 that Heartland Regional Health Authority document its procedures to remove confidential information during disposal of information technology and communications equipment.	<b>Partially Implemented</b> (as of August 31, 2012)
2011	10D-3 that Heartland Regional Health Authority regularly verify that its procedures to remove sensitive information from information technology and communications equipment are effective.	<b>Partially Implemented</b> (as of August 31, 2012)
<b>Kelsey Trail Regional Health Authority – Maintaining Medical Equipment</b>		
2011	11C-2 that the Kelsey Trail Regional Health Authority maintain all equipment in accordance with the required standards.	<b>Partially Implemented</b> (as of August 31, 2012)
2011	11C-6 that the Kelsey Trail Regional Health Authority maintain a complete and current list of all medical equipment, its location, and its maintenance record.	<b>Partially Implemented</b> (as of August 31, 2012)
2011	11C-7 that the Kelsey Trail Regional Health Authority provide reports to the Board of Directors and senior management on the state of medical equipment at all of its healthcare facilities.	<b>Partially Implemented</b> (as of August 31, 2012)
<b>Ministry of Central Services – Fleet Maintenance (2008 Report – Volume 1)</b>		
2009	6-1 that the Ministry of Government Services establish processes to ensure its vehicle fleet meets the safety standards of <i>The Traffic Safety Act</i> .	<b>Partially Implemented</b> (as of August 31, 2013)
2009	6-2 that the Ministry of Government Services keep reliable maintenance and repairs records for its vehicles.	<b>Partially Implemented</b> (as of August 31, 2013)
2009	6-3 that the senior management of the Ministry of Government Services receive reports to verify that vehicles are maintained in a safe condition and in an economical manner.	<b>Not Implemented</b> (as of August 31, 2013)





Committee Report Year	Outstanding Recommendation*	Status
<b>Ministry of Central Services – Information Technology Division – Data Centre</b>		
2009	12-2 that the Information Technology Office establish information technology security policies for its clients. (2008 Report – Volume 3)	<b>Partially Implemented</b> (as of December 31, 2013)
2011	12-1 that the Information Technology Office provide relevant and timely security reports to its clients. (2009 Report – Volume 3)	<b>Partially Implemented</b> (as of December 31, 2013)
<b>Ministry of Education – Instruction Time (2009 Report – Volume 3)</b>		
2011	4-4 that the Ministry of Education require school divisions to publicly report on their performance in meeting the Ministry's instruction time requirements.	<b>Not Implemented</b> (as of January 31, 2014)
2011	4-5 that the Ministry of Education monitor for all core curriculum areas of study the extent to which school divisions meet the Ministry's requirements for instruction time.	<b>Not Implemented</b> (as of January 31, 2014)
2011	4-6 that the Ministry of Education take corrective action where necessary to improve school division compliance with the Ministry's requirements for instruction time.	<b>Not Implemented</b> (as of January 31, 2014)
<b>Ministry of Environment – Regulating Air Emissions (2003 Report – Volume 3)</b>		
2005	10-3 that the Department of Environment should establish processes to ensure permits to regulate air emissions are properly approved and expired permits are followed up promptly.	<b>Partially Implemented</b> (as of September 30, 2012)
2005	10-4 that the Department of Environment should set sound and consistent processes for monitoring compliance with permits to regulate air emissions and for handling air emission complaints.	<b>Partially Implemented</b> (as of September 30, 2012)
<b>Ministry of Environment – Regulating Reforestation (2009 Report – Volume 3)</b>		
2011	6-4 that the Ministry of Environment establish processes for setting reforestation terms and conditions and for approving forest product permits.	<b>Partially Implemented</b> (as of March 31, 2014)
2011	6-5 that the Ministry of Environment establish processes to set reforestation fees at a level to cover reforestation costs.	<b>Partially Implemented</b> (as of March 31, 2014)
2011	6-7 that the Ministry of Environment establish processes to monitor operators' compliance with reforestation requirements.	<b>Partially Implemented</b> (as of March 31, 2014)
<b>Ministry of Finance – Information Technology Governance (2009 Report – Volume 3)</b>		
2011	7-3 that the Ministry of Finance develop an information technology risk management plan based on an analysis of information technology risks.	<b>Partially Implemented</b> (as of March 14, 2013)
2011	7-4 that the Ministry of Finance implement a strategic information technology plan that aligns with its strategic business objectives.	<b>Partially Implemented</b> (as of March 14, 2013)

Committee Report Year	Outstanding Recommendation*	Status
<b>Ministry of Justice – Labour Costs Related to Absenteeism (2010 Report – Volume 1)</b>		
2011	4-6 that the Ministry of Corrections, Public Safety and Policing monitor and control changes to work schedules to minimize labour costs in correctional centres (e.g., approval of shift trades, pay out of overtime).	<b>Partially Implemented</b> (as of December 31, 2012)
2011	4-7 that the Ministry of Corrections, Public Safety and Policing pay corrections workers for actual hours worked.	<b>Partially Implemented</b> (as of December 31, 2012)
<b>Ministry of Justice – Rehabilitate Adult Inmates (2008 Report – Volume 1)</b>		
2009	2-3 that the Ministry Corrections, Public Safety and Policing consistently comply with its policies to assess inmates' needs (primary and secondary) and plan relevant programs.	<b>Not Implemented</b> (as of August 31, 2011)
2009	2-5 that the Ministry of Corrections, Public Safety and Policing monitor the proportion of inmates accessing planned rehabilitation programs before the inmates are released into the community and enhance access to rehabilitation if required.	<b>Partially Implemented</b> (as of August 31, 2011)
2009	2-6 that the Ministry of Corrections, Public Safety and Policing monitor re-offending rates in relation to rehabilitation programs to better evaluate its rehabilitation of inmates.	<b>Partially Implemented</b> (as of August 31, 2011)
<b>Ministry of Parks, Culture and Sport – Provincial Parks Capital Asset Planning (2009 Report – Volume 3)</b>		
2011	18-1 that the Ministry of Tourism, Parks, Culture and Sport include in its capital asset plan for the provincial park system the projected future use levels for key capital assets (including assumptions and factors influencing trends) and a summary of capital asset risks for the projected use levels.	<b>Partially Implemented</b> (as of September 15, 2011)
2011	18-2 that the Ministry of Tourism, Parks, Culture and Sport set out principles in its capital asset plan to guide how it operates and maintains key capital assets in the provincial park system.	<b>Not Implemented</b> (as of September 15, 2011)
2011	18-3 that the Ministry of Tourism, Parks, Culture and Sport include estimated life-cycle costs in its long-term capital asset plan for the provincial park system.	<b>Not Implemented</b> (as of September 15, 2011)
<b>Ministry of Social Services – Children in Care</b>		
2005	3-1 that the Department of Community Resources and Employment should follow its policies to ensure that children in its care are protected and that payments to care providers are authorized. <i>(2003 Report – Volume 3)</i>	<b>Partially Implemented</b> (as of March 31, 2013)
2009	18-4 that the Ministry of Social Services implement a system to know how many children are the Minister's responsibility, who they are, and where they live. <i>(2008 Report – Volume 3)</i>	<b>Partially Implemented</b> (as of March 31, 2013)
2009	18-6 that the Ministry of Social Services make agreements with First Nations Child and Family Services agencies to require timely and relevant information to ensure proper care for children who are wards of the Minister. <i>(2008 Report – Volume 3)</i>	<b>Partially Implemented</b> (as of March 31, 2013)



Committee Report Year	Outstanding Recommendation*	Status
2009	18-7 that the Ministry of Social Services adequately monitor the First Nations Child and Family Services agencies' compliance with the Ministry's standards for approval of out-of-home care providers. (2008 Report – Volume 3)	<b>Partially Implemented</b> (as of March 31, 2013)
2009	18-9 that the Ministry of Social Services seek regular personal contact with children who are wards of the Minister and regularly review the First Nations Child and Family Services agencies' child protection files. (2008 Report – Volume 3)	<b>Partially Implemented</b> (as of March 31, 2013)
<b>Public Employees' Benefits Agency – Information Technology Security</b> (2010 Report – Volume 2)		
2011	8-6 that the Public Employees Benefits Agency periodically test the effectiveness of its information technology security.	<b>Partially Implemented</b> (as of January 31, 2014)
<b>Public Service Commission – MIDAS HR/Payroll</b> (2010 Report – Volume 1)		
2011	9-3 that the Public Service Commission consistently document its review of payroll reports and resolution of matters resulting from its review.	<b>Partially Implemented</b> (as of December 31, 2013)
<b>Regional Health Authorities – Capital Equipment Plans</b> (2001 Fall Report – Volume 2)		
2002	6D-1 that all health districts should prepare capital equipment plans that contain the key elements for capital equipment plans in the public sector.	<b>Not Implemented</b> (as of October 31, 2012)
<b>Saskatchewan Housing Corporation – Long-Term Capital Plan</b> (2004 Report – Volume 1)		
2005	15-1 that the Saskatchewan Housing Corporation's capital plan should show: - The specific measures the Corporation would use to determine the appropriate size, mix, and condition of the housing portfolio (i.e., performance measures); - The starting point of each measure (i.e., baseline); and - What the Corporation expects to achieve with the housing portfolio and by when (i.e., targets).	<b>Partially Implemented</b> (as of March 31, 2012)
<b>Water Security Agency – Dam Safety</b> (2005 Report – Volume 1)		
2005	3-2 that the Saskatchewan Watershed Authority should have up-to-date tested emergency preparedness plans for each of its major dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner).	<b>Partially Implemented</b> (as of December 2, 2013)
2005	3-3 that the Saskatchewan Watershed Authority should set processes that ensure its manuals always include complete procedures to operate, maintain, and monitor dam safety.	<b>Partially Implemented</b> (as of December 2, 2013)
<b>Water Security Agency – Identifying Risks to the Water Supply</b> (2010 Report – Volume 2)		
2011	19-7 that the Saskatchewan Watershed Authority consistently document identified causes of risks to the water supply.	<b>Partially Implemented</b> (as of September 30, 2013)
2011	19-8 that the Saskatchewan Watershed Authority communicate to the public risks about the water supply including likelihood and impact of these risks.	<b>Partially Implemented</b> (as of September 30, 2013)

\* The number preceding the outstanding recommendation reflects the chapter and recommendation number of our related report. In some cases, the Government has reorganized or renamed agencies since the recommendation was initially made. Those recommendations are grouped under the current agency responsible.



## Appendix 1

### Agencies Subject to Examination under *The Provincial Auditor Act* and Status of Audits

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall, and agencies with December fiscal year-ends in the spring. To provide the Legislative Assembly and the public with timely reports on significant items and/or those requiring attention, we do not delay our reports to accommodate incomplete audits, but rather include their results in future reports.

The table below lists the ministries, Crown agencies, Crown-controlled corporations, special purpose and trust funds, other agencies which administer public money, and offices of the Legislative Assembly that were subject to audit examination under *The Provincial Auditor Act* at July 31, 2014. It also sets out the status of our audits at each of these agencies at October 31, 2014, which indicates whether we have identified matters for the Assembly's attention, and if so, identifies the relevant Report.

Agency	Fiscal Year-End	Status at October 31, 2014	Matters Reported / Related Report(s)
<b>Government of Saskatchewan – Summary Financial Statements</b>	March 31	Complete	No
<b>Ministries and Secretariats:</b>			
Ministry of Advanced Education	March 31	Complete	Yes/2014 Rpt V2
Ministry of Agriculture	March 31	Complete	Yes/2014 Rpt V1 & V2
Ministry of Central Services	March 31	Complete	Yes/2014 Rpt V1 & V2
Ministry of the Economy	March 31	Complete	Yes/2014 Rpt V2
Ministry of Education	March 31	Complete	Yes/2014 Rpt V1 & V2
Ministry of Environment	March 31	Complete	Yes/2014 Rpt V1 & V2
Ministry of Finance	March 31	Complete	Yes/2014 Rpt V2
Ministry of Government Relations	March 31	Complete	Yes/2014 Rpt V2
Ministry of Health	March 31	Complete	Yes/2014 Rpt V2
Ministry of Highways and Infrastructure	March 31	Complete	Yes/2014 Rpt V1 & V2
Ministry of Justice	March 31	Complete	Yes/2014 Rpt V1 & V2
Ministry of Labour Relations and Workplace Safety	March 31	Complete	Yes/2014 Rpt V2
Ministry of Parks, Culture and Sport	March 31	Complete	Yes/2014 Rpt V2
Ministry of Social Services	March 31	Complete	Yes/2014 Rpt V2
Executive Council	March 31	Complete	No
Public Service Commission	March 31	Complete	Yes/2014 Rpt V1 & V2
<b>Crown Agencies:</b>			
101039181 Saskatchewan Ltd.	December 31	Note 1	
101069101 Saskatchewan Ltd.	December 31	Note 1	
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No





## Appendix 1

Agency	Fiscal Year-End	Status at October 31, 2014	Matters Reported / Related Report(s)
Agricultural Implements Board	March 31	Complete	No
Avonlea Holding, Inc.	December 31	Note 1	
Battleford International, Inc.	December 31	Note 1	
Bayhurst Energy Services Corporation	December 31	Complete	No
Bayhurst Gas Limited	December 31	Complete	No
Bruno Holdings Inc.	December 31	Note 1	
Carlton Trail Regional College	June 30	Note 2	No
Chinook School Division No. 211	August 31	Note 2	Yes/2014 Rpt V1 & V2
Christ the Teacher Roman Catholic Separate School Division No. 212	August 31	Note 2	No
CIC Asset Management Inc.	December 31	Complete	No
CIC Economic Holdco Ltd.	December 31	Note 1	
CIC Foods Inc.	December 31	Note 1	
CIC FTLP Holdings Inc.	December 31	Note 1	
CIC FTMI Holdings Inc.	December 31	Note 1	
CIC OSB Products Inc.	December 31	Note 1	
CIC Pulp Ltd.	December 31	Note 1	
CIC PVF Holdings Inc.	December 31	Note 1	
CIC WLSVF Holdings Inc.	December 31	Note 1	
Coachman Insurance Company	December 31	Complete	No
Community Initiatives Fund	March 31	Complete	No
Conseil des Ecoles Fransaskoises School Division No. 310	August 31	Note 2	Yes/2014 Rpt V2
Creative Saskatchewan	March 31	Complete	Yes/2014 Rpt V2
Creighton School Division No. 111	August 31	Note 2	No
Crown Investments Corporation of Saskatchewan	December 31	Complete	No
Cumberland Regional College	June 30	Complete	No
Cypress Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2
DirectWest Canada Inc.	December 31	Note 1	
DirectWest Corporation	December 31	Complete	No
eHealth Saskatchewan	March 31	Complete	Yes/2014 Rpt V1 & V2
Englefeld Protestant Separate School Division No. 132	August 31	Note 2	No
Enterprise Saskatchewan	March 31	Complete, Note 6	No
First Nations and Métis Fund Inc.	December 31	Complete	No
Five Hills Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2
Global Transportation Hub Authority, The	March 31	Complete	No
Good Spirit School Division No. 204	August 31	Note 2	Yes/2014 Rpt V2
Government House Foundation, The	March 31	Complete	No
Gradworks Inc.	December 31	Complete	No
Great Plains College	June 30	Complete	No
Health Quality Council	March 31	Complete	Yes/2014 Rpt V2
Heartland Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2
Health Shared Services Saskatchewan (3sHealth)	March 31	Complete	No
Holy Family Roman Catholic Separate School Division No. 140	August 31	Note 2	No

Agency	Fiscal Year-End	Status at October 31, 2014	Matters Reported / Related Report(s)
Holy Trinity Roman Catholic Separate School Division No. 22	August 31	Note 2	No
Horizon School Division No. 205	August 31	Complete	Yes/2014 Rpt V1
Ile a la Crosse School Division No. 112	August 31	Note 2	Yes/2014 Rpt V1
Insurance Company of Prince Edward Island	December 31	Note 8	No
Investment Saskatchewan Holdings Inc.	December 31	Note 1	
Investment Saskatchewan Swine Inc.	December 31	Note 1	
Keewatin Yatthe Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2
Kelsey Trail Regional Health Authority	March 31	Complete	No
Law Reform Commission of Saskatchewan	March 31	Complete	No
Light of Christ Roman Catholic Separate School Division No. 16	August 31	Note 2	No
Liquor and Gaming Authority	March 31	Complete	Yes/2014 Rpt V2
Living Sky School Division No. 202	August 31	Note 2	Yes/2014 Rpt V1
Lloydminster Roman Catholic Separate School Division No. 89	August 31	Note 2	No
Lloydminster Public School Division No. 99	August 31	Note 2	No
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2
Manalta Investment Company Ltd.	December 31	Note 1	
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Nokomis Holding, Inc.	December 31	Note 1	
North East School Division No. 200	August 31	Complete	Yes/2014 Rpt V1
North Sask. Laundry & Support Services Ltd.	March 31	Complete	Yes/2014 Rpt V2
North West Regional College	June 30	Note 2	Yes/2014 Rpt V2
Northwest School Division No. 203	August 31	Complete	Yes/2014 Rpt V2
Northern Lights School Division No. 113	August 31	Note 2	Yes/2014 Rpt V1
Northlands College	June 30	Note 2	Yes/2014 Rpt V2
Northpoint Energy Solutions Inc.	December 31	Complete	No
Operator Certification Board	March 31	Complete	No
Owners, The: Condominium Corporation No. 101100609	March 31	Complete	No
Parkland Regional College	June 30	Complete	No
Physician Recruitment Agency of Saskatchewan	March 31	Complete	No
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie North Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2
Prairie South School Division No. 210	August 31	Note 2	No
Prairie Spirit School Division No. 206	August 31	Complete	No
Prairie Valley School Division No. 208	August 31	Complete	Yes/2014 Rpt V2
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2
Prince Albert Roman Catholic Separate School Division No. 6	August 31	Note 2	Yes/2014 Rpt V1 & V2
Qu'Appelle Holding, Inc.	December 31	Note 1	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2

Agency	Fiscal Year-End	Status at October 31, 2014	Matters Reported / Related Report(s)
Regina Roman Catholic Separate School Division No. 81	August 31	Complete	No
Regina School Division No. 4	August 31	Complete	No
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	Yes/2014 Rpt V1
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Association of Health Organizations Inc.	March 31	Complete	No
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Cancer Agency	March 31	Complete	Yes/2014 Rpt V2
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	Yes/2014 Rpt V2
Saskatchewan First Call Corporation	December 31	Note 1	
Saskatchewan Gaming Corporation	December 31	Complete	No
Saskatchewan Government Insurance	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	Yes/2014 Rpt V1
Saskatchewan Immigrant Investor Fund Inc.	December 31	Complete	Yes/2014 Rpt V1
Saskatchewan Impaired Driver Treatment Centre Board of Governors	March 31	Delayed	
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2014 Rpt V2
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	No
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	No
Saskatchewan Opportunities Corporation	December 31	Complete	No
Saskatchewan Power Corporation	December 31	Complete	Yes/2014 Rpt V1
Saskatchewan Research Council	March 31	Complete	Yes/2014 Rpt V2
Saskatchewan Rivers School Division No. 119	August 31	Note 2	Yes/2014 Rpt V2
Saskatchewan Telecommunications	December 31	Complete	No
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2014 Rpt V1
Saskatchewan Telecommunications International, Inc.	December 31	Complete	Yes/2014 Rpt V1
Saskatchewan Telecommunications International (Tanzania) Ltd.	December 31	Note 1	
Saskatchewan Transportation Company	December 31	Complete	No
Saskatchewan Water Corporation	December 31	Complete	Yes/2014 Rpt V1
Saskatoon Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2
Saskatoon School Division No. 13	August 31	Complete	Yes/2014 Rpt V2
SaskBuilds Corporation	March 31	Complete	Yes/2014 Rpt V1
SaskEnergy Incorporated	December 31	Complete	No
SaskEnergy Nova Scotia Holdings Ltd.	December 31	Note 1	
SaskPower International Inc.	December 31	Note 1	
SaskTel International Consulting, Inc.	December 31	Note 1	
SaskTel Investments Inc.	December 31	Note 1	

Agency	Fiscal Year-End	Status at October 31, 2014	Matters Reported / Related Report(s)
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	December 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 1	
South East Cornerstone School Division No. 209	August 31	Note 2	Yes/2014 Rpt V2
Southeast Regional College	June 30	Note 2	No
St. Paul's Roman Catholic Separate School Division No. 20	August 31	Complete	Yes/2014 Rpt V2
Sun Country Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2
Sun West School Division No. 207	August 31	Note 2	No
Sunrise Regional Health Authority	March 31	Complete	Yes/2014 Rpt V1 & V2
Swan Valley Gas Corporation	December 31	Note 1	
TecMark International Commercialization Inc.	March 31	Note 1	
Tourism Saskatchewan	March 31	Complete	No
TransGas Limited	December 31	Complete	No
Water Appeal Board	March 31	Complete	No
Water Security Agency	March 31	Complete	Yes/2014 Rpt V1 & V2
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	No
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board	December 31	Complete	No
<b>Special purpose and trust funds including pension and benefit plans:</b>			
Capital Pension Plan	December 31	Complete	No
Commercial Revolving Fund	March 31	Complete	No
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Criminal Property Forfeiture Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	No
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	No
Extended Health Care Plan for Retired Employees	December 31	Complete	No
Financial and Consumer Affairs Authority of Saskatchewan	March 31	Complete	No
Fish and Wildlife Development Fund	March 31	Complete	No
General Revenue Fund	March 31	Note 4	
Growth and Financial Security Fund	March 31	Note 4	
Health Shared Services Saskatchewan Core Dental Plan	December 31	Complete	No
Health Shared Services Saskatchewan Disability Income Plan – CUPE	December 31	Complete	No
Health Shared Services Saskatchewan Disability Income Plan – SEIU	December 31	Complete	No



Agency	Fiscal Year-End	Status at October 31, 2014	Matters Reported / Related Report(s)
Health Shared Services Saskatchewan Disability Income Plan – General	December 31	Complete	No
Health Shared Services Saskatchewan Disability Income Plan – SUN	December 31	Complete	No
Health Shared Services Saskatchewan Group Life Insurance Plan	December 31	Complete	No
Health Shared Services Saskatchewan In-scope Extended Health/Enhanced Dental Plan	December 31	Complete	No
Health Shared Services Saskatchewan Master Trust Combined Investment Fund	December 31	Complete	No
Health Shared Services Saskatchewan Out-of-scope Extended Health/ Enhanced Dental Plan	December 31	Complete	No
Horned Cattle Fund	March 31	Complete	No
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Complete, Note 5	No
Institutional Control Monitoring and Maintenance Fund	March 31	Complete	No
Institutional Control Unforeseen Events Fund	March 31	Complete	No
Judges of the Provincial Court Superannuation Plan	March 31	Complete	No
Liquor Board Superannuation Plan	December 31	Complete	No
Livestock Services Revolving Fund	March 31	Complete, Note 7	No
Municipal Employees' Pension Commission	December 31	Complete	Yes/2014 Rpt V1
Northern Municipal Trust Account	December 31	Complete	No
Oil and Gas Orphan Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	No
Power Corporation Superannuation Plan	December 31	Complete	Note 3
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Accounts	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	Yes/2014 Rpt V1
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	No
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Employees Pension Plan	March 31	Complete	No
Public Service Superannuation Plan	March 31	Complete	No
Public Guardian and Trustee for Saskatchewan	March 31	Complete	No
Queen's Printer Revolving Fund	March 31	Complete	No
Residential Tenancies, Office of – Director's Trust Account	March 31	Complete	No
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	No
Saskatchewan Government Insurance Service Recognition Plan	December 31	Complete	No
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	No
Saskatchewan Pension Plan	December 31	Complete	No
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No

Agency	Fiscal Year-End	Status at October 31, 2014	Matters Reported / Related Report(s)
Saskatchewan Power Corporation Severance Pay Credits Plan	December 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	No
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
Social Services Central Trust Account	March 31	Complete	No
Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund	March 31	Complete	No
Social Services Valley View Centre Residents' Trust Account	March 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Teachers' Dental Plan	June 30	Complete	Yes/2014 Rpt V2
Teachers' Disability Plan	June 30	Complete	No
Teachers' Group Life Plan	August 31	Complete	No
Teachers' Superannuation Plan	June 30	Complete	No
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Water Security Agency Retirement Allowance Plan	March 31	Complete	No
<b>Offices of the Legislative Assembly:</b>			
Advocate for Children and Youth, Office of the	March 31	Complete	No
Board of Internal Economy/Legislative Assembly Service	March 31	Complete	No
Chief Electoral Officer, Office of the	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No
<b>Other agencies:</b>			
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Complete	No
Pension Plan for the Academic and Administrative Employees of the University of Regina	December 31	Complete	No
Technical Safety Authority of Saskatchewan, The	June 30	Complete	Yes/2014 Rpt V1
University of Regina Non-Academic Pension Plan	December 31	Complete	No
University of Regina, The	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Complete	No



Agency	Fiscal Year-End	Status at October 31, 2014	Matters Reported / Related Report(s)
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Complete	No
University of Saskatchewan Academic Long-Term Disability Plan	December 31	Complete	No
University of Saskatchewan Academic Employees' Pension Plan	December 31	Complete	No
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Complete	No
University of Saskatchewan, The	April 30	Complete	No

- Note 1: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency.
- Note 2: We reviewed the opinions of the appointed auditor on the reliability of financial statements, effectiveness of processes to safeguard public resources, and compliance with authorities. We also reviewed the summary of errors and management letters to boards of the agencies. Where necessary, we followed up with the appointed auditor to clarify issues reported.
- Note 3: The agency does not have adequate processes to ensure retired members who returned to work for the Government are paid in accordance with *The Superannuation (Supplementary Provisions) Act*. Our 2001 *Spring Report* contains further information on this matter.
- Note 4: The Ministry of Finance does not prepare financial statements for this Fund.
- Note 5: This entity was wound up on March 27, 2014.
- Note 6: This entity was wound up on April 30, 2014.
- Note 7: This entity had no active operations.
- Note 8: The Government sold its investment in this company effective June 30, 2014.

1. "Complete" – the audit was complete at October 31, 2014.  
"Delayed" – the audit was delayed.
2. "No" – no significant issues were reported.  
"Yes/2014 Rpt V1" – significant issues are reported in our 2014 Report – Volume 1.  
"Yes/2014 Rpt V2" – significant issues are reported in our 2014 Report – Volume 2.

## Appendix 2

### Samples of Opinions We Form on Ministries, Crown Agencies, and Crown-Controlled Corporations

Our mission states, "To serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources." To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on:

- › The effectiveness of the Government's management of public resources
- › The Government's compliance with legislative authorities
- › The reliability of the Government's public performance reports (e.g., financial statements)

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We adhere to assurance standards published by CPA Canada (formerly Canadian Institute of Chartered Accountants) when forming our opinions. The following are samples of our audit opinions.

#### 1. The Effectiveness of the Government's Management of Public Resources

I have audited [Crown agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives:

- › To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- › To prepare reliable financial statements.
- › To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

I used the control framework developed by the Canadian Institute of Chartered Accountants (control framework) to make my judgments about the effectiveness of [Crown agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The control framework defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgment in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, [Crown agency X]'s control was effective, in all material respects, to meet the objectives stated above as of [date] based on the control framework.





## 2. The Government's Compliance with Legislative Authorities

I have made an examination to determine whether [Crown agency X], complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing and investing activities during the year ended [Year end]:

*(List legislative and related authorities covered by this report. This list must include all governing authorities.)*

My examination was made in accordance with standards for assurance engagements published in the *CPA Canada Handbook – Assurance*, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [Year end].

## 3. The Reliability of Financial Statements

I have audited the accompanying financial statements of [Crown agency X], which comprise the [statement of financial position] as at [Year end], and the [statements of operations, change in net debt, and cash flow] for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with [acceptable financial reporting framework] for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of [Crown agency X] as at [Year end], and [insert appropriate wording to describe financial results] for the year then ended in accordance with [acceptable financial reporting framework].